Combined Consolidated Carve-out Financial Statements
(In Canadian dollars)

Score Digital

Years ended August 31, 2012 and 2011

KPMG LLP
Chartered Accountants
Yonge Corporate Centre
4100 Yonge Street Suite 200
Toronto ON M2P 2H3
Canada

Telephone (416) 228-7000
Fax (416) 228-7123
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of theScore, Inc.

We have audited the accompanying combined consolidated carve-out financial statements of Score Digital (as defined in note 1 to the combined consolidated carve-out financial statements), which comprise the combined consolidated carve-out statements of financial position as at August 31, 2012 and 2011, the combined consolidated carve-out statements of comprehensive loss, changes in funded deficiency and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Combined Consolidated Carve-out Financial Statements

Management is responsible for the preparation and fair presentation of these combined consolidated carve-out financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of combined consolidated carve-out financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined consolidated carve-out financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the combined consolidated carve-out financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined consolidated carve-out financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the combined consolidated carve-out financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the combined consolidated carve-out financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the combined consolidated carve-out financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

Opinion

In our opinion, the combined consolidated carve-out financial statements present fairly, in all material respects, the combined consolidated carve-out financial position of Score Digital as at August 31, 2012 and 2011, and its combined consolidated carve-out financial performance and its combined consolidated carve-out cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to note 1 to the combined consolidated carve-out financial statements which indicates that the combined consolidated carve-out financial statements present combined financial information of defined subsidiaries of Score Media Inc. and that in preparing the combined consolidated carve-out financial statements common costs have been allocated to Score Digital using the method of allocation described in note 1 to the combined consolidated carve-out financial statements. The combined consolidated carve-out financial statements may not necessarily be indicative of the results that would have been achieved if Score Digital had operated as an independent entity.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

November 28, 2012
Toronto, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

Score Digital

Combined Consolidated Carve-out Statements of Financial Position
(In thousands of Canadian dollars)

August 31, 2012 and 2011

	2012	2011
Assets		
Current assets:		
Accounts receivable	$ 1,124	$ 1,238
Other receivable (note 10)	1,863	–
Due from Remaining Group (note 8)	80	30
Prepaid expenses	142	37
	3,209	1,305
Non-current assets:		
Equipment (note 3)	246	212
Intangible assets (note 4)	7,206	5,765
Investment in equity accounted investee (note 6)	916	936
	8,368	6,913
Total assets	$ 11,577	$ 8,218
Liabilities and Funded Deficiency		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,799	$ 1,291
Due to Parent (note 9)	23,574	17,146
Due to Remaining Group (note 8)	8,840	4,408
	34,213	22,845
Funded deficiency (note 1)	(22,636)	(14,627)
Commitments and contingencies (notes 6, 12 and 16)		
Subsequent events (note 16)		
Total liabilities and funded deficiency	$ 11,577	$ 8,218

See accompanying notes to combined consolidated carve-out financial statements.

On behalf of the Board:

________________________________ Director

________________________________ Director

Score Digital

Combined Consolidated Carve-out Statements of Comprehensive Loss
(In thousands of Canadian dollars)

Years ended August 31, 2012 and 2011

	2012	2011
Revenue:		
Digital media	$ 4,195	$ 3,245
Radio, productions and other	–	854
	4,195	4,099
Operating expenses:		
Personnel (note 10)	3,592	3,193
Content	2,010	2,266
Technology	2,725	1,101
Facilities, administrative and other	1,621	860
Management fees (note 9)	713	909
Depreciation of equipment	92	103
Amortization of intangible assets	1,801	1,223
Write-off of equipment (note 3)	–	108
	12,554	9,763
Operating loss	(8,359)	(5,664)
Finance costs (note 9)	706	283
Share of loss of equity accounted investee (note 6)	41	14
Net and comprehensive loss	$ (9,106)	$ (5,961)

See accompanying notes to combined consolidated carve-out financial statements.

Score Digital

Combined Consolidated Carve-out Statements of Changes in Funded Deficiency
(In thousands of Canadian dollars)

Years ended August 31, 2012 and 2011

	2012	2011
Funded deficiency, beginning of year	$ (14,627)	$ (9,416)
Net and comprehensive loss	(9,106)	(5,961)
Contributions by Parent and Remaining Group (note 1):		
Technology costs	284	272
Facilities, administrative and other costs	2	143
Share-based compensation	83	52
Finance costs	728	283
	1,097	750
Funded deficiency, end of year	$ (22,636)	$ (14,627)

See accompanying notes to combined consolidated carve-out financial statements.

Score Digital

Combined Consolidated Carve-out Statements of Cash Flows
(In thousands of Canadian dollars)

Years ended August 31, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Loss for the year and comprehensive loss	$ (9,106)	$ (5,961)
Adjustments for:		
Depreciation and amortization	1,893	1,326
Write-off of equipment	–	108
Share of loss of equity accounted investee (note 6)	41	14
Change in equity accounted investee (note 6)	(21)	(57)
Contributions by Parent and Remaining Group	1,097	750
	(6,096)	(3,820)
Change in non-cash operating working capital:		
Accounts receivable	114	(6)
Other receivable	(984)	–
Prepaid expenses	(105)	(37)
Accounts payable and accrued liabilities	667	(53)
	(308)	(96)
Net cash used in operating activities	(6,404)	(3,916)
Cash flows from financing activities:		
Due to Remaining Group, net	4,382	2,460
Due to Parent	6,428	6,579
Net cash from financing activities	10,810	9,039
Cash flows from investing activities:		
Additions of equipment	(126)	(114)
Acquisition of intangible assets	(4,280)	(3,392)
Acquisition of Mobile1Sports LLC assets (note 5)	–	(724)
Acquisition of interest in equity accounted investee (note 6)	–	(893)
Net cash used in investing activities	(4,406)	(5,123)
Cash, beginning and end of year	$ –	$ –

See accompanying notes to combined consolidated carve-out financial statements.

1. Nature of operations:

(a) Business:

Prior to October 19, 2012, Score Digital was the digital media business of Score Media Inc. (the "Parent"). On October 19, 2012, the Parent closed the Arrangement Agreement with Rogers pursuant to which, by way of the Arrangement: (a) Rogers acquired the television business of the Parent via an acquisition of all of the outstanding shares of the Parent for $1.62 per share; and (b) the digital media business of the Parent was spun out to the Parent's shareholders as a new corporation, theScore, Inc., incorporated on August 30, 2012 and formed to acquire Score Digital and certain assets of the Parent and its subsidiaries.

Under the terms of the Arrangement Agreement, Rogers acquired all of the outstanding shares of the Parent and an interest in theScore, Inc.

Pursuant to the business separation agreement ("Business Separation Agreement"), the Parent capitalized theScore, Inc. for $11.6 million and inclusive of $1.8 million held in escrow until the first anniversary of the closing of the transaction.

Score Digital is engaged in the creation, aggregation and distribution of sports content via established and emergent digital media assets, including mobile sports applications and its website, theScore.com. Score Digital represents a portion of the Parent's businesses and does not constitute a separate legal entity.

Score Digital consists of the following entities, which as of August 31, 2012 were wholly owned subsidiaries of the Parent and were consolidated by and under the control of the Parent:

- Score Media Ventures Inc., together with its wholly owned consolidated subsidiaries, ScoreMobile Inc. and 2283546 Ontario Inc.;
- Hardcore Sports Radio Inc.;
- St. Clair Group Investments Inc.;
- Score Productions Inc.; and
- SMI International Holdings Inc., together with its wholly owned consolidated subsidiary, SMI International Ltd.

1. Nature of operations (continued):

Together, the aforementioned subsidiaries are referred to in these combined consolidated carve-out financial statements (the "Combined Financial Statements") as the "Combined Subsidiaries".

Subsidiaries of the Parent that are not part of Score Digital are referred to as the "Remaining Group" as follows:

- The Score Television Network Ltd., together with its wholly owned consolidated subsidiary, 1212895 Ontario Ltd.;
- Voice to Visual Inc.; and
- Score Fighting Inc.

On August 25, 2012, the Parent entered into a definitive arrangement agreement (the "Arrangement Agreement") with Rogers Media Inc. ("Rogers") pursuant to which, by way of a court-approved plan of arrangement (the "Arrangement"): (i) Rogers would acquire the television business of the Parent via an acquisition of all of the outstanding shares of the Parent for $1.62 per share; and (ii) Score Digital would be spun out to the Parent's shareholders as a new corporation, theScore, Inc., formed to acquire Score Digital and certain assets of the Parent and its subsidiaries (note 16).

The Arrangement was approved by the Board of Directors of the Parent, and by the Parent's shareholders on October 17, 2012 and the Arrangement closed on October 19, 2012. Refer to note 16 for more details regarding the Arrangement and the Arrangement Agreement.

Score Digital principally operates in Canada and is headquartered from the registered office of the Parent, located at 370 King Street West, 4th Floor, Toronto, Ontario, M5V 1J9.

These Combined Financial Statements of Score Digital as at August 31, 2012 and 2011, and for the fiscal years ended August 31, 2012 and 2011 were approved by the Board of Directors of theScore, Inc. on November 28, 2012.

1. Nature of operations (continued):

(b) Basis of presentation and statement of compliance:

These Combined Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Combined Financial Statements have been prepared on a combined consolidated "carve-out" basis from the books and records of the Parent and the Combined Subsidiaries and purport to represent the historical results of operations, financial position and cash flows of Score Digital as if it had existed as a separate stand-alone group of combined entities for the periods presented under the Parent's management, and applying International Accounting Standard ("IAS") 27, Consolidated and Separate Financial Statements ("IAS 27"), to account for intergroup investments and transactions. The basis on which entities were selected for inclusion in the Combined Financial Statements are those entities that, upon completion of the Arrangement, ceased to be wholly owned subsidiaries of the Parent and became wholly owned subsidiaries of theScore, Inc., pursuant to the Arrangement.

The historical results of operations, financial position and cash flows of Score Digital may not be indicative of what they would actually have been had Score Digital been a separate stand-alone entity, nor are they indicative of what Score Digital's results of operations, financial position and cash flows may be in the future.

1. Nature of operations (continued):

The accompanying Combined Financial Statements do not include assets and liabilities that are not specifically identifiable with Score Digital. Costs directly related to Score Digital have been entirely attributed to Score Digital in the Combined Financial Statements. During the years ended August 31, 2012 and 2011, Score Digital received services and support functions from the Parent and certain subsidiaries of the Parent and the Remaining Group. Score Digital's operations were dependent upon the Parent's ability to perform these services and support functions. In addition to amounts historically charged to Score Digital from the Parent and Remaining Group for such services (notes 8 and 9), certain additional costs were allocated on a carve-out basis to Score Digital for purposes of these Combined Financial Statements. These allocated costs are as follows:

- Corporate administrative and other costs, including corporate costs and, in comparative periods, human resource and finance costs used by Score Digital and paid by the Parent and Remaining Group. These costs have been allocated to Score Digital primarily based on proportionate revenue of Score Digital compared to consolidated revenue of the Parent. These allocated costs have been recorded in facilities, administrative and other costs.

- Technology costs paid by the Remaining Group but used by Score Digital. These costs have been allocated based primarily on relative usage or access by Score Digital.

- Finance costs representing interest incurred by the Parent on its credit facility, allocated to Score Digital based on a pro rata share of accessed funding from the Parent's credit facility.

Costs that have been allocated to Score Digital from the Parent and Remaining Group for purposes of these Combined Financial Statements that are not repayable have been recorded as contributions from the Parent and Remaining Group within the Funded Deficiency account. The Funded Deficiency account represents the cumulative net investment by the Parent and Remaining Group in Score Digital through the dates presented and includes cumulative operating results, including other comprehensive loss.

1. Nature of operations (continued):

For each of the Parent's businesses, the Parent used a centralized approach to cash management and financing of its operations (note 9). Score Digital's obligation to the Parent for its drawings on the Parent's credit facility is recorded within Due to Parent in the combined consolidated carve-out statements of financial position. Receivables and payables arising from transactions between Score Digital and the Parent or Remaining Group are recorded as Due to/from Parent or the Remaining Group within these Combined Financial Statements. Under the Arrangement, theScore, Inc. acquired substantially all of the related intercompany receivables from the Parent and Remaining Group, and remaining amounts were set off and/or settled (note 16).

Management believes the assumptions and allocations underlying the Combined Financial Statements are reasonable and appropriate under the circumstances. The expenses and cost allocations have been determined on a basis considered to be a reasonable reflection of the utilization of services provided to or the benefit received by Score Digital during the years presented. However, these assumptions and allocations are not necessarily indicative of the costs Score Digital would have incurred if it had operated on a stand-alone basis or as an entity independent of the Parent.

The Combined Financial Statements are presented in Canadian dollars, which is Score Digital's functional currency.

2. Significant accounting policies:

(a) Basis of measurement:

The Combined Financial Statements have been primarily prepared using the historical cost basis.

(b) Principles of consolidation:

(i) Subsidiaries:

Subsidiaries are entities controlled by entities within Score Digital. The financial statements of subsidiaries are included in the Combined Financial Statements from the date that control commences until the date that control ceases.

2. Significant accounting policies (continued):

The acquisition method of accounting is used to account for business combinations as follows:

- consideration transferred is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed, and acquisition transaction costs are expensed as incurred;

- identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date;

- the excess of the fair value of consideration transferred, including the recognized amount of any non-controlling interest of the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill; and

- if the fair value of the consideration transferred is less than the fair value of the net assets acquired, the difference is recognized directly in income or loss.

(ii) Investments in equity accounted for investee:

Score Digital's interests in investments in associates are accounted for using the equity method of accounting. Associates are those entities in which Score Digital has significant influence, but not unilateral control, over the financial and operating policies. Significant influence is presumed to exist when Score Digital holds between 20% and 50% of the voting power of another entity.

The investments in associates are initially recognized at cost. The carrying amount is increased or decreased to recognize, in income and loss, Score Digital's share of the income or loss of the investee after the date of acquisition. Distributions received from an investee reduce the carrying amount of the investment.

(iii) Intercompany transactions:

All intercompany balances and transactions with entities within Score Digital, and any unrealized revenue and expenses arising from intercompany transactions are eliminated in preparing these Combined Financial Statements. Transactions and balances with the Parent and the Remaining Group have not been eliminated but are presented as related party transaction balances with the Parent or the Remaining Group.

2. Significant accounting policies (continued):

(c) Equipment:

(i) Recognition and measurement:

Equipment is measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenses that are directly attributable to the acquisition of the asset. When parts of an item of equipment have different useful lives, they are accounted for as separate components of equipment and depreciated accordingly.

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount of the equipment and are recognized in income or loss. The carrying amount of any replaced component is derecognized.

(ii) Subsequent costs:

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset only when it is probable that future economic benefits associated with the item of equipment will flow to Score Digital and the costs of the item can be reliably measured. All other expenses are charged to operating expenses as incurred.

(iii) Depreciation:

Depreciation is based on the cost of an asset less its residual value. Depreciation is charged to income or loss over the estimated useful life of an asset. Depreciation is provided on a declining-balance basis using the following annual rates:

Computer equipment	30%
Office equipment	20%

Depreciation methods, rates and residual values are reviewed annually and revised if the current method, estimated useful life, or residual value is different from that estimated previously. The effect of such changes is recognized on a prospective basis in the Combined Financial Statements.

2. Significant accounting policies (continued):

(d) Intangible assets:

Intangible assets with definite useful lives are amortized over their estimated useful lives and are tested for impairment, as described in note 2(e). Useful lives, residual values and amortization methods for intangible assets with definite useful lives are reviewed at least annually and revised if the current method, estimated useful life, or residual value is different from that estimated previously. The effects of such changes are recognized on a prospective basis in the Combined Financial Statements.

Trademarks are being amortized on a straight-line basis over the expected useful life of the asset.

Computer software is amortized on a 75% declining-balance basis.

Product development costs represent both external and internal costs incurred by Score Digital in developing its website, tablet and mobile applications, when they meet the criteria for recognition as an intangible asset. Product development costs are amortized on a 30% declining-balance basis when they are available for use. Research, maintenance, promotional and advertising expenses associated with Score Digital's products are expensed as incurred.

Acquired technology and customer relationships are amortized on a 30% declining-balance basis.

(e) Impairment:

(i) Impairment of non-financial assets:

The carrying values of non-financial assets with finite useful lives, such as equipment and intangible assets, are assessed for impairment at the end of each reporting date for indication of impairment or whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount of the asset must be determined. Such assets are impaired if their recoverable amount is lower than their carrying amount. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash generating unit ("CGU") to which the asset belongs is tested for impairment.

2. Significant accounting policies (continued):

The recoverable amount is the greater of an asset's fair value less costs to sell or its value in use. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. The resulting impairment loss is recognized in income or loss. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. When an impairment loss is subsequently reversed, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount. The increased carrying amount does not exceed the carrying amount that would have been recorded had no impairment losses been recognized for the asset or CGU in prior years.

The recoverable amount is determined for an individual asset unless the asset does not generate independent cash flows, in which case, the recoverable amount of the CGU to which the asset belongs is tested for impairment.

(ii) Impairment of financial assets (including receivables):

A financial asset not carried at fair value through income or loss is evaluated at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, or indications that a debtor will enter bankruptcy.

Score Digital considers evidence of impairment for receivables at a specific asset level, being each individually significant receivable account. Losses are recognized in income or loss and reflected in an allowance account included as part of the carrying amount of accounts receivable.

(f) Content license fees:

Content license fees represent contractual rights acquired from third parties to broadcast highlights on mobile or web digital media properties. Content license fees are presented as part of prepaid expenses and the related costs are expensed on a straight-line basis over the course of the applicable sports season.

2. Significant accounting policies (continued):

(g) Revenue recognition:

Score Digital recognizes revenue once services have been rendered, fees are fixed and determinable, and collectability is reasonably assured. Score Digital's principal sources of revenue are from advertising on its digital media properties, and prior to August 31, 2011 when broadcasting ceased, content licensing from its radio station and has been recognized as follows:

(i) Advertising revenue is recorded at the time advertisements are displayed on Score Digital's digital media properties. Funds received from advertising customers in advance of the advertisement's airing are recorded as deferred revenue.

(ii) Content licensing fees are recorded over the effective period of the content licensing arrangement. Funds received from content licensees in advance of the effective licensing period are recorded as deferred revenue.

Periodically, Score Digital enters into customer arrangements that have separate components, however, due to the nature of the components, the arrangements have been accounted for as a single transaction or as an integrated package. In those instances, the arrangement consideration is generally recognized as revenue over the expected period of performance.

(h) Financial instruments:

(i) Recognition:

Score Digital initially recognizes loans and receivables on the date they originate. All other financial assets and financial liabilities are initially recognized on the trade date at which Score Digital becomes a party to the contractual provision of the instrument. Financial assets are derecognized when the rights to receive cash flows have expired or were transferred and Score Digital has transferred substantially all risks and rewards of ownership. Score Digital derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

2. Significant accounting policies (continued):

(ii) Classification and measurement:

(a) Non-derivative financial assets:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise accounts receivable and Due from Remaining Group companies.

Score Digital had no held-to-maturity financial assets at fair value through income and loss or available-for-sale financial assets during the years ended August 31, 2012 and 2011.

(b) Non-derivative financial liabilities:

Accounts payable and accrued liabilities, due to Remaining Group, and due to Parent balances are classified as non-derivative financial liabilities.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

(iii) Derivative financial instruments:

All derivatives, including embedded derivatives that must be separately accounted for, are measured at fair value, with changes in fair value recorded in the combined statements of comprehensive income. Score Digital assesses whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when Score Digital first becomes a party to the contract. Score Digital did not hold any derivative financial instruments as at August 31, 2012 and 2011.

2. Significant accounting policies (continued):

(i) Short-term employee benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under employee short-term incentive compensation plans if there is legal or constructive obligation to pay this amount at the time and the obligation can be estimated reliably. Bonuses are paid as a result of past service provided by the employee.

(j) Share-based payment transactions:

Certain members of Score Digital's personnel participated in the Parent's share-based compensation plans (note 13). The share-based compensation costs associated with Score Digital's participating personnel were directly expensed by Score Digital under personnel costs within the combined consolidated carve-out statements of comprehensive income. The Parent charged to Score Digital a portion of the share-based compensation relating to the Parent's corporate personnel which is classified under management fees on the combined consolidated carve-out statements of comprehensive income.

The grant date fair value of share-based payment awards granted to Score Digital's employees is recognized as a compensation cost, with a corresponding increase in the Funded Deficiency account, over the period that the employees unconditionally become entitled to the awards. The amount recognized as compensation cost is adjusted to reflect the number of awards for which the related service vesting conditions are expected to be met, such that the amount ultimately recognized as compensation cost is based on the number of awards that vest.

(k) Provisions:

Provisions are recognized when a present obligation as a result of a past event will lead to a probable outflow of economic resources from Score Digital and the amount of that outflow can be estimated reliably. The timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events, for example, legal disputes or onerous contracts.

2. Significant accounting policies (continued):

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Score Digital has no material provisions as at August 31, 2012 and 2011.

Onerous contracts:

A provision for onerous contracts is recognized when the unavoidable costs of meeting the obligation under the contract exceed the expected benefits to be derived by Score Digital. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, Score Digital recognizes any impairment loss on the assets associated with the contract. Score Digital has no onerous contracts as at August 31, 2012 and 2011.

(l) Operating leases:

Operating leases are recognized in income or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease. Score Digital did not directly hold any operating leases as at August 31, 2012 and 2011.

(m) Finance costs:

Finance costs comprise allocated interest expense on borrowings (note 1). Borrowing costs that are directly attributable to the acquisition or production of a qualifying asset are capitalized in the cost of the qualifying asset and is included under cash flows from investing activities. Borrowing costs that are not directly attributable to the acquisition or production of a qualifying asset are recognized in income or loss using the effective interest method.

2. Significant accounting policies (continued):

(n) Foreign currency transactions:

Transactions in foreign currencies are translated to the functional currency of Score Digital's entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency of Score Digital at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting year.

Foreign currency gains and losses are recognized in income and loss and reported on a net basis.

(o) Income taxes and credits:

Deferred tax assets are recognized for the future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and their respective tax bases. A deferred tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax assets and liabilities are not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which the related temporary differences are expected to be recovered or settled.

Refundable tax credits related to digital media development products are recognized in profit or loss when there is reasonable assurance that they will be received and Score Digital has and will comply with the conditions associated with the relevant government program. These investment tax credits are recorded and presented as either a deduction to the carrying amount of the asset and subsequently recognized over the useful life of the related asset or recognized directly to profit or loss based on the accounting of the initial costs incurred to which the tax credits were applied. Score Digital has applied an approach that reflects the economic substance of the applicable investment tax credit. Tax credits receivable are recorded as an other receivable in statements of financial position.

2. Significant accounting policies (continued):

(p) Use of estimates and judgments:

The preparation of Combined Financial Statements requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results could differ from those estimates. Key areas of estimation, where management has made difficult, complex or subjective judgments, often as a result of matters inherently uncertain are as follows:

(i) Intangible assets:

Measurement of intangible assets involves the use of estimates for determining the expected useful lives of amortizable assets. Management's judgment is also required to determine amortization methods, capitalization of internal labour costs in connection with internally developed intangible assets and whether an asset is a qualifying asset for the purposes of capitalization of borrowing costs.

(ii) Income taxes:

Income tax assets and liabilities are estimated by Score Digital, including an assessment of deductible and taxable temporary differences. Any such temporary differences will generally result in the recognition of deferred tax assets and liabilities in the financial statements. Management's judgment is required for the recognition of current and deferred taxes, including management's assessment as to whether it is probable that Score Digital has the ability to use tax losses and other deductible temporary differences based on estimated future taxable income.

(iii) Impairment of non-financial assets:

An impairment test is carried out whenever events or changes in circumstances indicate that carrying amounts may not be recoverable and is performed by comparing the carrying amount of an asset or CGU and their recoverable amount. Management's judgment is required in determining whether an impairment indicator exists. The recoverable amount is the higher of fair value, less costs to sell and its value in use. This valuation process involves the use of methods which uses assumptions to estimate future cash flows. The recoverable amount depends significantly on the discount rate used, as well as the expected future cash flows and the terminal growth rate used for extrapolation.

2. Significant accounting policies (continued):

(iv) Allowance for doubtful accounts:

The valuation of accounts receivable requires valuation estimates to be made by management. These accounts receivable are comprised of a large and diverse base of advertisers dispersed across varying industries and locations that purchase advertising on Score Digital’s digital media platforms.

Score Digital determines an allowance for doubtful accounts based on knowledge of the financial conditions of its customers, the aging of the receivables, customer and industry concentrations, the current business environment and historical experience. A change in any of the factors impacting the estimate of the allowance for doubtful accounts will directly impact the amount of bad debt expense recorded in facilities, administrative and other expenses.

(q) Segment information:

An operating segment is a component of Score Digital that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of Score Digital's other components. Score Digital has one operating segment.

(r) Recent accounting pronouncements:

(i) IFRS 12, Disclosure of Interests in Other Entities:

In May 2011, the IASB issued IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12"). IFRS 12 establishes new and comprehensive disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and uncombined structured entities. This new standard is effective for Score Digital's Combined Financial Statements commencing September 1, 2013. Score Digital is assessing the impact of this new standard on its Combined Financial Statements.

2. Significant accounting policies (continued):

(ii) IFRS 10, Consolidated Financial Statements:

In May 2011, the IASB issued IFRS 10, Consolidated Financial Statements ("IFRS 10"). IFRS 10, which replaces the consolidation requirements of SIC-12, Consolidation-Special Purpose Entities, and IAS 27 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This new standard is effective for Score Digital's Combined Financial Statements commencing September 1, 2013. Score Digital is assessing the impact of this new standard on its Combined Financial Statements.

(iii) IFRS 11, Joint Arrangements:

In May 2011, the IASB issued IFRS 11, Joint Arrangements ("IFRS 11"). IFRS 11, which replaces the guidance in IAS 31, Interests in Joint Ventures, which provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. This new standard is effective for Score Digital's Combined Financial Statements commencing September 1, 2013. Score Digital is assessing the impact of this new standard on its Combined Financial Statements.

(iv) IFRS 13, Fair Value Measurement:

In May 2011, the IASB issued IFRS 13, Fair Value Measurement ("IFRS 13"). IFRS 13 replaces the fair value guidance contained in individual IFRSs with a single source of fair value measurement guidance. The standard completes the IASB's project to converge fair value measurement in IFRS and United States generally accepted accounting principles. This new standard is effective for Score Digital's Combined Financial Statements commencing September 1, 2013. Score Digital is assessing the impact of this new standard on its Combined Financial Statements.

2. Significant accounting policies (continued):

(v) IAS 27, Separate Financial Statements:

In May 2011, the IASB amended IAS 27. This amendment removes the requirements for consolidated statements from IAS 27, and moves it over to IFRS 10. The amendment mandates that when a company prepares separate financial statements, investment in subsidiaries, associates, and jointly controlled entities are to be accounted for using either the cost method or in accordance with IFRS 9, Financial Instruments ("IFRS 9"). In addition, this amendment determines the treatment for recognizing dividends, the treatment of certain group reorganizations, and some disclosure requirements. This new standard is effective for Score Digital's Combined Financial Statements commencing September 1, 2013. There is no impact of this standard anticipated on Score Digital.

(vi) IFRS 9, Financial Instruments:

In October 2010, the IASB issued IFRS 9. IFRS 9, which replaces IAS 39, Financial Instruments: Recognition and Measurement, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard is effective for Score Digital's Combined Financial Statements commencing September 1, 2015. Score Digital is assessing the impact of this new standard on its Combined Financial Statements.

3. Equipment:

	Office equipment	Computer equipment	Total
Cost			
Balance, August 31, 2010	$ 1,173	$ 1,088	$ 2,261
Additions	47	67	114
Disposal of equipment no longer in use	(405)	–	(405)
Balance, August 31, 2011	815	1,155	1,970
Additions	–	126	126
Balance, August 31, 2012	$ 815	$ 1,281	$ 2,096
Accumulated depreciation			
Balance, August 31, 2010	$ 1,047	$ 905	$ 1,952
Disposal of equipment no longer in use	(297)	–	(297)
Depreciation	54	49	103
Balance, August 31, 2011	804	954	1,758
Depreciation	2	90	92
Balance, August 31, 2012	$ 806	$ 1,044	$ 1,850
Carrying amounts			
Balance, August 31, 2010	$ 126	$ 183	$ 309
Balance, August 31, 2011	11	201	212
Balance, August 31, 2012	9	237	246

During the year ended August 31, 2011, Score Digital wrote off equipment that was no longer in use, resulting in reductions of $405 and $297 in equipment cost and accumulated depreciation, respectively, and a write off of $108 relating to those assets.

4. Intangible assets:

	Product development	Trademarks	Computer software	Acquired technology	Acquired customer relationships	Total
Cost						
Balance, August 31, 2010	$ 3,447	$ 114	$ 1,043	$ –	$ –	$ 4,604
Acquisitions - internally developed	3,799	–	–	–	–	3,799
Acquisitions - business combinations	–	–	–	239	485	724
Acquisitions - other	–	12	13	–	–	25
Intangible assets no longer in use	(23)	–	–	–	–	(23)
Balance, August 31, 2011	7,223	126	1,056	239	485	9,129
Acquisitions - internally developed, net of tax credits	3,176	–	–	–	–	3,176
Acquisitions - other	–	40	26	–	–	66
Balance, August 31, 2012	$ 10,399	$ 166	$ 1,082	$ 239	$ 485	$ 12,371
Accumulated amortization						
Balance, August 31, 2010	$ 1,104	$ 31	$ 1,029	$ –	$ –	$ 2,164
Amortization	1,102	31	13	26	51	1,223
Intangible assets no longer in use	(23)	–	–	–	–	(23)
Balance, August 31, 2011	2,183	62	1,042	26	51	3,364
Amortization	1,548	34	28	63	128	1,801
Balance, August 31, 2012	$ 3,731	$ 96	$ 1,070	$ 89	$ 179	$ 5,165
Carrying value						
Balance, August 31, 2010	$ 2,343	$ 83	$ 14	$ –	$ –	$ 2,440
Balance, August 31, 2011	5,040	64	14	213	434	5,765
Balance, August 31, 2012	6,668	70	12	150	306	7,206

4. Intangible assets (continued):

Borrowing costs capitalized as part of digital media development costs were nil for the year ended August 31, 2012. Borrowing costs capitalized as part of digital media development costs totaled $27 for the year ended August 31, 2011 using a 5.1% weighted average interest rate on borrowings under the Parent's credit facility.

Internally developed intangible assets are $6,668 as at August 31, 2012 (2011 - $5,040) and are made up of product development costs less accumulated amortization. Acquired intangible assets are $538 as at August 31, 2012 (2011 - $725) and are made up of trademarks, computer software, acquired technology and acquired customer relationships less accumulated amortization.

During the year ended August 31, 2011, Score Digital wrote off intangible assets that were fully amortized and no longer in use, resulting in reductions of $23 in both cost and accumulated amortization.

5. SportsTap acquisition:

On May 12, 2011, Score Digital acquired the SportsTap mobile sports application and related customer relationships ("SportsTap Assets") from Mobile1Sports LLC ("SportsTap") for total consideration with a fair value of $724 on the transaction date. SportsTap is the mobile application company that formerly developed and operated the SportsTap mobile sports application. Score Digital acquired the SportsTap Assets to expand its user base in the United States. The acquisition was accounted for using the acquisition method with the results of operations included in these Combined Financial Statements from the date of acquisition.

Score Digital has allocated the cost of the purchase to separate intangible assets as follows:

Customer relationships	$ 485
Acquired technology	239
Fair value of intangible assets acquired	$ 724

Professional fees incurred relating to this transaction were $135 and are included in facilities, administrative and other costs on the combined consolidated carve-out statements of comprehensive income. Score Digital ascribed a useful life of three years to the acquired SportsTap Assets.

5. SportsTap acquisition (continued):

The transaction included up to U.S. $180 (Cdn. $176 equivalent at August 31, 2011) of contingent consideration that was dependent upon the SportsTap platform achieving specific post-acquisition income targets between the transaction date and April 30, 2012. The fair value of the contingent consideration was assessed to be $27 at the acquisition date and August 31, 2011 using a probability weighted net present value methodology. Subsequent to August 31, 2011, the post-acquisition income target period expired and the contingent consideration was revised to nil.

Score Digital's combined consolidated carve-out statements of comprehensive income for the year ended August 31, 2011 includes a loss of $41 from SportsTap operations during the period from May 12, 2011 to August 31, 2011. Score Digital's revenue would increase by an estimated $154 and loss for the year and comprehensive loss would increase by an estimated $99 if the acquisition date had been September 1, 2010.

6. Equity accounted investee:

On September 16, 2010, Score Digital acquired 20% of the capital stock of a web and mobile and software development firm that builds proprietary products and provides development services for $893, inclusive of $93 in transaction costs that have been capitalized and included as part of the cost of Score Digital's investment. The investee is a privately held corporation with a fiscal year end of December 31, which is different from the fiscal year end of Score Digital. Score Digital also entered into a multi-year technology development agreement that will result in digital media development services provided to Score Digital's digital media properties. Under this agreement, Score Digital is committed to spend a minimum amount of $94 in fiscal year 2013.

Summarized financial information of the equity accounted investee as at and for the year ended August 31, 2012 and the period from September 16, 2010 to August 31, 2011 is as follows:

	2012	2011
Assets	$ 496	$ 769
Liabilities	478	167
Revenue	2,470	1,824
Net income (loss)	(101)	212

6. Equity accounted investee (continued):

During the year ended August 31, 2012, Score Digital recognized an investment loss of $41 (2011 - $14).

7. Related party transactions:

During the year ended August 31, 2012, development fees incurred under the development services agreement with the equity accounted investee (note 6) amounted to $2,622 (2011 - $1,345) and were capitalized as part of product development intangible assets. As at August 31, 2012, Score Digital's accounts payable balance due to its equity accounted investee for such development costs was $363 (2011 - $384). The related party transactions are in the normal course of operations.

Other related party transactions and balances with the Parent and Remaining Group are described in notes 8, 9 and 12 below.

8. Transactions with Remaining Group:

	2012	2011
Due from Remaining Group:		
Score Fighting Inc.	$ 80	$ 30
Due to Remaining Group:		
The Score Television Network Ltd.	$ 8,743	$ 4,300
Voice to Visual Inc.	97	108
	$ 8,840	$ 4,408

The Combined Subsidiaries, The Score Television Network Ltd., Voice to Visual Inc. and Score Fighting Inc. are related by virtue of common ownership by the Parent.

8. Transactions with Remaining Group (continued):

Included in radio, productions and other revenue for the years ended August 31, 2012 and 2011 are content license fees of nil and $250, respectively, that was received from The Score Television Network Ltd. for certain radio programming from Score Digital. The radio station ceased broadcasting on August 31, 2011. This content licensing revenue is the sole source of revenue not originating from external customers during the year ended August 31, 2011. All revenue originated from external customers during the year ended August 31, 2012.

Included in content costs for the years ended August 31, 2012 and 2011 are content license fees charged to Score Digital of $576 and $416, respectively, that were paid by The Score Television Network Ltd.

Included in facilities, administrative and other costs for the years ended August 31, 2012 and 2011 are shared facilities costs of $156 and $123, respectively. These facilities costs were paid by The Score Television Network Ltd.

In addition, during the year ended August 31, 2012, the Remaining Group paid $3,650 (2011 - $2,171) for certain operating costs of Score Digital, including personnel costs and other operating costs.

These transactions are in the normal course of operations. The amounts due to/from Remaining Group are due on demand and are non-interest bearing.

Prior to the closing of the Arrangement (refer to note 16) the balances due to and due from the Remaining Group were either settled or acquired by theScore, Inc. In both instances as at October 19, 2012, these amounts are no longer balances due to or due from Remaining Group.

9. Transactions with Parent:

(a) Due to Parent and transactions with Parent:

(i) Until October 19, 2012 (note 16), the Parent provided the Combined Subsidiaries access to, at its discretion, the Parent's revolving credit facility with a Canadian chartered bank. Any amounts accessed by the Combined Subsidiaries represent obligations to the Parent and have been recorded as Due to Parent.

As at August 31, 2012 and 2011, Due to Parent included $12,678 and $8,099, respectively, in respect of Score Digital's access to the Parent's credit facility.

9. Transactions with Parent (continued):

As at August 31, 2012 and until October 19, 2012 and as at August 31, 2011, the Combined Subsidiaries were guarantors of the Parent's credit facility. Amounts drawn under the Parent's credit facility were secured by a pledge of substantially all the assets of the Combined Subsidiaries, a pledge of all the issued and outstanding shares of each of the Parent's operating subsidiaries (including the Combined Subsidiaries) and the subordination and pledge of intercompany loans.

(ii) Management fees represent a charge for costs incurred by the Parent, consisting of professional fees and other public company-related costs, including corporate costs and management compensation associated with operating the Parent's consolidated business. For the year ended August 31, 2012, management fees recorded were $713 (2011 - $909).

(iii) During the year ended August 31, 2012, the Parent paid $1,136 (2011 - $1,082) for certain operating costs of Score Digital, including personnel costs and other operating costs.

These transactions are in the normal course of operations. The amounts due to Parent are due on demand and are non-interest bearing.

Prior to the closing of the Arrangement (refer to note 16) the balances due to Parent were either settled or acquired by theScore, Inc. As at October 19, 2012, the balance is no longer an amount due to Parent.

(b) Key management personnel:

Key management personnel of Score Digital include directors of the Combined Subsidiaries and other senior executives of the Parent. These personnel are compensated by the Parent for services performed for the Parent, the Remaining Group and Score Digital. Total compensation cost for these key management personnel for the periods presented are as follows:

	2012	2011
Salaries and non-equity incentive compensation	$ 1,666	$ 2,771
Share-based and other compensation	443	209
Total	$ 2,109	$ 2,980

9. Transactions with Parent (continued):

Compensation cost for these individuals related to services performed for Score Digital included in management fees charged for the years ended August 31, 2012 and 2011 totalled $170 and $456, respectively.

10. Tax credits:

In the first quarter of fiscal 2012, Score Digital received correspondence from the Ontario Digital Media Corporation, the provincial government's body responsible for evaluating the eligibility of refundable digital tax credit claims associated with developing qualifying digital media products, that claims filed for fiscal years 2009 and prior had been assessed and accepted totaling $793. These credits are available as part of the Ontario Interactive Digital Media Tax Credit ("OIDMTC") legislation created by the provincial government aimed at encouraging growth in the digital media sector in Ontario.

$494 of the refundable amount related to costs previously expensed as part of personnel costs in fiscal years 2009 and prior with the balance of $299 related to costs previously capitalized and included as part of product development intangible assets. Accordingly, Score Digital recognized $494 of the credit to personnel costs during the year ended August 31, 2012 and the remaining $299 was credited to reduce capitalized intangible assets. Score Digital also recognized a $204 credit to reduce amortization expense during the year ended August 31, 2012 to reflect the cumulative offset, or reduction, of amortization relating to capitalized intangible assets noted above. The tax credit receivable was collected in the second quarter of fiscal 2012.

In the second quarter of fiscal 2012, Score Digital completed its OIDMTC analysis and related application relating to costs previously incurred in fiscal 2010 and 2011. As a result, Score Digital has recognized a tax credit receivable of $1,863 relating to the eligible costs incurred, which Score Digital deemed to be reasonably assured of realization. The tax credit receivable consisted of the below-noted amounts and were recognized as follows:

- $984 related to eligible personnel costs previously expensed in fiscal years 2010 and 2011;
- $680 related to costs previously capitalized and included as part of product development intangible assets; and
- $199 related to amortization relating to previously capitalized product development intangible assets.

11. Capital risk management:

Score Digital's objectives in managing capital are to maintain its ability to operate as a going concern, to fund future development and growth of the business. The capital structure of Score Digital consisted of Due to Parent, Due to and from Remaining Group, and funded deficiency.

Score Digital manages and adjusts the capital structure in consideration of changes in economic conditions and the risk characteristics of the underlying assets. As at August 31, 2012 and 2011 and for the years then ended, in order to maintain or adjust the capital structure, Score Digital could seek to borrow or repay amounts from the Parent or Remaining Group, or undertake other activities as deemed appropriate under the specific circumstances. Score Digital was not subject to any externally imposed capital requirements.

12. Financial risk management:

Score Digital has exposure to credit risk, liquidity risk and market risk from its use of financial instruments. This note presents information about Score Digital's exposure to each of these risks and Score Digital's objectives, policies and processes for measuring and managing these risks.

(a) Credit risk:

Credit risk is the risk of financial loss to Score Digital if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Score Digital's receivables from customers. The carrying amount of financial assets represents the maximum credit exposure. Score Digital's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

Score Digital establishes an allowance for doubtful accounts that represents its estimate of potential credit losses in respect of accounts receivable but historically has not experienced any significant losses related to individual customers or groups of customers in any particular industry or geographical area. This allowance consists of a specific provision that relates to individually significant exposures. As at August 31, 2012 and 2011, Score Digital had an allowance for doubtful accounts of $18 and $9, respectively.

12. Financial risk management (continued):

At August 31, 2012 and 2011, $25 and $271, respectively, of accounts receivable were considered past due, which is defined as amounts outstanding beyond normal credit terms and conditions for respective customers that can extend up to 150 days from initial invoicing. Score Digital believes that its allowance for doubtful accounts sufficiently reflected the related credit risk based on the nature of Score Digital's customers and consideration of past performance.

No customer represented more than 10% of Score Digital's fiscal 2012 and 2011 combined revenue.

(b) Liquidity risk and economic dependence:

Liquidity risk is the risk that Score Digital will not be able to meet its financial obligations as they fall due.

Score Digital has the following firm commitments under agreements with suppliers for the year ending August 31, 2013:

Contractual obligations	
Sports data feeds	$ 210
Related party service contract	94
Total	$ 304

As at August 31, 2012, Score Digital had loans and receivables from customers of $1,124 (2011 - $1,238), other receivables of $1,863 (note 10) and accounts payable and accrued liabilities to third parties of $1,799 (2011 - $1,291). Accounts payable and accrued liabilities have contracted maturities of less than three months. Score Digital has a funded deficiency balance of $22,636 as at August 31, 2012 (2011 - $14,627).

These Combined Financial Statements have been prepared on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business. Score Digital has a history of operating losses, and can be expected to generate continued operating losses and negative cash flows in the future while it carries out its current business plan to further develop and expand its digital media business.

12. Financial risk management (continued):

Prior to October 19, 2012, Score Digital's operations and growth were financed through advances and borrowings from the Parent and the Remaining Group. Upon completion of Arrangement described in note 16, funding from these sources is no longer available, as the Combined Subsidiaries are now wholly owned by a new parent, theScore, Inc. theScore, Inc. was initially capitalized as described in note 16 and acquired from the Parent and the Remaining Group substantially all of the intercompany amounts due from the Combined Subsidiaries, with the remaining amounts being set off and/or settled as part of the steps in the Arrangement. Management believes that, with cash from the initial capitalization of theScore, Inc., and its current business plan, sufficient funds will exist in theScore, Inc. to be able to support operations and business objectives of Score Digital for a period that is at least 18 months from August 31, 2012. While there can be no certainty that the current business plan will be achieved, management believes that the business plan of Score Digital is such that feasible cost reduction programs can be implemented if revenue projections are lower than projected.

On this basis, management considers it appropriate to prepare the Combined Financial Statements on the going concern basis.

(c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, equity prices and interest rates, will affect Score Digital's income or the value of its holdings of financial instruments. Due to Parent and Remaining Group were non-interest bearing, and were acquired by the Score, Inc. or settled as outlined in note 16.

Score Digital's head office is located in Canada and the majority of Score Digital's customers and suppliers are based in Canada and, therefore, transact in Canadian dollars. A small number of customers and suppliers are based outside of Canada and the associated financial assets and liabilities originate in U.S. dollars, Euros or Pounds Sterling, thereby exposing Score Digital to foreign exchange risk. Score Digital's exposure to foreign exchange risk is deemed to be low as Score Digital does not engage in a significant amount of transactions denominated in currencies other than the Canadian dollar. Score Digital's foreign exchange gain for the year ended August 31, 2012 was $10 and Score Digital's foreign exchange loss for the year ended August 31, 2011 was $8.

12. Financial risk management (continued):

(d) Fair values:

The fair values of Score Digital's accounts receivable and accounts payable and accrued liabilities were deemed to approximate their carrying amounts due to the short-term nature of these financial instruments.

13. Share-based compensation:

(a) The Parent's Plan:

The Parent had 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 and full-time employees of, or consultants to, Score Digital and the Parent options to acquire Class A Subordinate Voting shares of the Parent. Under the Plan, the exercise price of an option was based on the average trading price for five trading days prior to the grant. An option's maximum term was 10 years and options generally vested over three years. Certain Score Digital employees participated in the Parent's Plan in exchange for services provided to Score Digital. Options were equity settled with shares of the Parent and the proceeds from exercise price were received by the Parent.

The following table summarizes the status of options granted to employees of Score Digital under the Parent's Plan:

	Number	Exercise price	Weighted average exercise	Options exercisable
Outstanding options, August 31, 2010	190,000	$0.47 - $0.84	$ 0.04	65,833
Exercised	(12,500)	$0.47 - $0.56	0.51	
Outstanding options, August 31, 2011	177,500	$0.47 - $0.84	0.54	123,333
Cancelled	(22,500)	$0.47 - $0.84	0.70	
Outstanding options, August 31, 2012	155,000	$0.47 - $0.56	0.52	110,833

No options were granted to Score Digital employees in fiscal 2012 and 2011.

During the years ended August 31, 2012 and 2011, Score Digital recorded share-based compensation of $2 and $14, respectively, in personnel costs within the combined consolidated carve-out statements of comprehensive income relating to its participating employees in the Parent's Plan. The offset was recorded in funded deficiency as there is no reimbursement agreement between the Parent and Score Digital related to these grants.

13. Share-based compensation (continued):

The Plan was terminated on October 19, 2012 on completion of the Arrangement (note 16). theScore, Inc. received approval for the adoption of a new stock option plan in connection with a special meeting of Parent's shareholders held on October 15, 2012. The new stock option plan is substantially on the same terms and conditions as the plan noted above.

(b) The Parent's share purchase plan:

The Parent also had a share purchase plan (the "SPP") in order to facilitate the acquisition of Class A Subordinate Voting shares of the Parent and the retention of such Class A Subordinate Voting shares by eligible participants. The SPP allowed eligible participants to voluntarily join in a share purchase program. Under the terms of the SPP, eligible participants could have up to 5% of their compensation deducted from their pay to contribute towards the purchase of Class A Subordinate Voting shares of the Parent. The Parent would make a contribution equal to the amount of the compensation contributed by each participant one year from the date of the initial contribution. The Parent's Class A Subordinate Voting shares were purchased by an independent broker through the facilities of The Toronto Stock Exchange and were held by a custodian on behalf of the SPP participants.

Effective January 2011, the Parent replaced the annual grant of options to acquire Class A Subordinate Voting shares of the Parent with an amended SPP, which included enhanced Parent matching benefits and a vesting schedule. The amended SPP involved the Parent matching share purchases, in the open market, made by eligible participants at varying levels based on seniority. The shares contributed on behalf of the Parent would generally vest over a period up to three years, in equal tranches every six months. Matching shares were purchased by an agent on behalf of the Parent in the open market each pay period and recorded as treasury stock within the Parent's equity until the date of vesting.

During the years ended August 31, 2012 and 2011, Score Digital recorded share-based compensation of $80 and $38 within personnel costs within the combined consolidated carve-out statements of comprehensive income, respectively, relating to its participating employees in the Parent's SPP. The offset was recorded in funded deficiency as there is no reimbursement agreement between the Parent and Score Digital for these Parent contributions.

Contributions to the SPP were suspended on September 15, 2012 in contemplation of the completion of the Arrangement (note 16).

14. Unrecognized deferred tax assets:

Deferred tax assets have not been recognized as at August 31, 2012 and 2011 as management estimated during those periods it would not be probable that future taxable income will be available against which Score Digital could utilize the benefits therefrom. Deferred tax assets have not been recognized in respect of the following items:

	2012	2011
Deferred tax assets:		
Non-capital income tax loss carryforwards	$ 4,516	$ 2,698
Equipment and other deductible differences	1,235	1,143
Unrecognized deferred tax assets	$ 5,751	$ 3,841

As at August 31, 2012, Score Digital has the following non-capital losses available to reduce future years' taxable income for income tax purposes:

Income tax losses expiring in the year ending August 31:	
2014	$ 234
2026	310
2027	1,457
2028	1,351
Thereafter	13,718
	$ 17,070

The equipment and other deductible temporary differences do not expire under current legislation.

Reconciliation of effective tax rate:

	2012	2011
Income tax expense based on the statutory income tax of 27.00% (2011 - 28.92%)	$ (2,458)	$ (1,710)
Tax effect of non-deductible and non-taxable items	(92)	257
Current year tax losses and deductible temporary differences for which no deferred tax is recognized	2,510	1,256
Tax rate difference	40	197
Income tax expense	$ –	$ –

15. Comparative figures:

In the year ended August 31, 2011 in the combined consolidated carve-out statements of cash flows, acquisitions of intangibles and accounts payable and accrued liabilities were reduced by $432 as a result of the inclusion of non-cash items, which was adjusted in these financial statements.

16. Subsequent events:

Arrangement Agreement:

On October 19, 2012, the Parent closed the Arrangement Agreement with Rogers pursuant to which, by way of the Arrangement: (a) Rogers acquired the television business of the Parent via an acquisition of all of the outstanding shares of the Parent for $1.62 per share; and (b) the digital media business of the Parent was spun out to the Parent's shareholders as a new corporation, theScore, Inc., incorporated on August 30, 2012 and formed to acquire Score Digital and certain assets of the Parent and its subsidiaries.

Under the terms of the Arrangement Agreement, Rogers acquired all of the outstanding shares of the Parent and an interest in theScore, Inc.

Pursuant to the business separation agreement ("Business Separation Agreement"), the Parent capitalized theScore, Inc. for $11.6 million and inclusive of $1.8 million held in escrow until the first anniversary of the closing of the transaction.

The Arrangement Agreement contemplated certain agreements which were executed on or prior to the closing date of the transaction. These agreements included:

- a three-year software license agreement, whereby Rogers will pay Score Digital $1.0 million per annum for the development and licensing of a white-label version of Score Digital's ScoreMobile application;

- a transitional services agreement that provides the Parent with a non-transferable license to use certain trademarks in connection with the operation of the television business pending its rebranding by Rogers and pursuant to which the parties agree to provide each other with certain business transition services for a period defined therein; and

---

16. Subsequent events (continued):

- a Business Separation Agreement that provides for the separation of the television and digital media businesses of the Parent prior to closing of the Arrangement.

The Arrangement was approved by the Board of Directors of the Parent and the Parent's shareholders.

Pursuant to the Business Separation Agreement, prior to the effective time of the Arrangement, a series of transactions were effected whereby, among other things, theScore, Inc. acquired from the Parent and the Remaining Group: (a) the shares of the Combined Subsidiaries; (b) certain assets of the Parent and its subsidiaries; and (c) substantially all of the intercompany amounts due from the Combined Subsidiaries, with the remaining amounts being set off and/or settled.

Pursuant to the Business Separation Agreement, theScore, Inc. provided certain indemnifications in favour of the Parent, and its affiliates, directors, officers and employees. The liability of Score Digital for indemnification under the Business Separation Agreement is limited to $3 million in the aggregate. The escrow amount of $1.8 million is available as a source for any indemnification obligations that may become owing for the 12 months following the completion of the Arrangement.

The management fees, certain other amounts charged by the Parent to Score Digital, and participation in the Parent's share-based compensation plans will not persist after the closing of the Arrangement. In addition, Score Digital will no longer have access to the Parent's credit facility following completion of the Arrangement.

Upon completion of the Arrangement Agreement, theScore, Inc. had approximately 95.0 million shares outstanding.

Certain employees and key management personnel formerly employed by the Parent, and its subsidiaries, were transferred to Score Digital upon completion of the Arrangement.

Stock Option Plan:

On November 28, 2012, the Board of Directors of theScore, Inc. approved the grant of 4.570,000 options to the senior executive team and other personnel of theScore, Inc. and the Combined Subsidaries in accordance with theScore, Inc's stock option plan. The stock options were priced at the closing price of theScore, Inc. stock on November 28, 2012.