

Consolidated Financial Statements
(In Canadian dollars)

theScore, Inc.

Years ended August 31, 2014 and 2013



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INDEPENDENT AUDITORS' REPORT

To the Shareholders of theScore, Inc.

We have audited the accompanying consolidated financial statements of theScore, Inc., which comprise the consolidated statements of financial position as at August 31, 2014 and 2013, the consolidated statements of comprehensive loss, changes in shareholders' equity 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of theScore, Inc. as at August 31, 2014 and 2013, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Chartered Professional Accountants, Licensed Public Accountants

October 14, 2014
Toronto, Canada

theScore, Inc.

Consolidated Statements of Financial Position
(In thousands of Canadian dollars)

August 31, 2014 and 2013

	2014	2013
Assets		
Current assets:		
Cash and cash equivalents (note 11)	\$ 21,363	\$ 14,524
Accounts receivable	1,472	1,621
Other receivables (note 1)	–	2,030
Tax credits recoverable (note 9)	2,060	1,295
Prepaid expenses and deposits	559	386
	<u>25,454</u>	<u>19,856</u>
Non-current assets:		
Property and equipment (note 3)	2,155	2,313
Intangible assets (note 4)	4,959	6,523
Investment	760	760
Tax credits recoverable (note 9)	4,485	1,782
	<u>12,359</u>	<u>11,378</u>
Total assets	\$ 37,813	\$ 31,234

Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,052	\$ 2,380
Non-current liabilities:		
Deferred lease obligation	513	495
Shareholders' equity (note 15)	34,248	28,359
Commitments and contingencies (notes 1 and 11)		
Total liabilities and shareholders' equity	\$ 37,813	\$ 31,234

See accompanying notes to consolidated financial statements.

On behalf of the Board:

_____ Director

_____ Director

theScore, Inc.

Consolidated Statements of Comprehensive Loss
(In thousands of Canadian dollars, except per share amounts)

Years ended August 31, 2014 and 2013

	2014	2013
Revenue (note 13)	\$ 7,820	\$ 5,269
Operating expenses:		
Personnel, net (note 9)	7,918	6,443
Content	1,215	1,473
Technology	1,249	1,991
Facilities, administrative and other	3,858	3,032
Marketing	1,934	603
Depreciation of property and equipment	527	279
Amortization of intangible assets (note 9)	1,919	2,788
	18,620	16,609
Operating loss	(10,800)	(11,340)
Finance costs (income), net (note 1(b))	(114)	55
Loss for the year and comprehensive loss	\$ (10,686)	\$ (11,395)
Loss per share - basic and diluted (note 14)	\$ (0.05)	\$ (0.11)

See accompanying notes to consolidated financial statements.

theScore, Inc.

Consolidated Statements of Changes in Shareholders' Equity
(In thousands of Canadian dollars, except per share amounts)

Years ended August 31, 2014 and 2013

	Special Voting shares		Class A Subordinate Voting shares		Contributed surplus	Retained earnings/ (deficit)	Total shareholders' equity/ funded deficiency
	Amount	Number of shares	Amount	Number of shares			
Balances, August 31, 2012 - funded deficiency (note 1(b))	\$ -	-	\$ -	1	\$ -	\$ (22,636)	\$ (22,636)
Loss for the year and comprehensive loss	-	-	-	-	-	(11,395)	(11,395)
Share-based compensation expense	-	-	-	-	153	-	153
Contributions by Former Parent and Remaining Group	-	-	-	-	-	104	104
Capitalization arising from the Arrangement (note 1):							
Amounts acquired - due to Former Parent	-	-	-	-	-	25,198	25,198
Amounts acquired - due to Remaining Group	-	-	-	-	-	9,371	9,371
Initial capitalization	15	5,566	11,579	95,015,276	-	-	11,594
Assets transferred at carrying value	-	-	-	-	-	93	93
Shares issued on completion of private placement	-	-	15,874	100,000,000	-	-	15,874
Shares issued on exercise of stock options	-	-	3	19,997	-	-	3
Balances, August 31, 2013	15	5,566	27,456	195,035,274	153	735	28,359
Loss for the year and comprehensive loss	-	-	-	-	-	(10,686)	(10,686)
Share-based compensation expense	-	-	-	-	396	-	396
Shares issued on exercise of stock options	-	-	23	127,828	(9)	-	14
Shares issued on completion of private placement (note 15)	-	-	7,820	27,140,000	-	-	7,820
Shares issued on completion of public offering (note 15)	-	-	8,345	30,360,000	-	-	8,345
Balances, August 31, 2014	\$ 15	5,566	\$ 43,644	252,663,102	\$ 540	\$ (9,951)	\$ 34,248

See accompanying notes to consolidated financial statements.

theScore, Inc.

Consolidated Statements of Cash Flows
(In thousands of Canadian dollars)

Years ended August 31, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Loss for the year and comprehensive loss	\$ (10,686)	\$ (11,395)
Adjustments for:		
Depreciation and amortization	2,446	3,067
Share-based compensation (note 12)	396	153
Loss on impairment of intangible assets	200	–
Share of loss of equity-accounted investee	–	33
Investment loss	–	111
Contributions by Former Parent and Remaining Group	–	104
	(7,644)	(7,927)
Change in non-cash operating working capital:		
Accounts receivable	149	(497)
Other receivables	230	(230)
Tax credits recoverable	(1,995)	(979)
Prepaid expenses and deposits	(173)	(244)
Accounts payable and accrued liabilities	672	581
Deferred lease obligation	18	495
	(1,099)	(874)
Net cash used in operating activities	(8,743)	(8,801)
Cash flows from financing activities:		
Exercise of stock options	14	3
Funding provided from Arrangement (note 1)	1,800	9,794
Issuance of shares, net of transaction costs	16,165	15,874
Due to Remaining Group (note 7)	–	531
Due to Former Parent (note 8)	–	1,621
Net cash from financing activities	17,979	27,823
Cash flows from investing activities:		
Additions of property and equipment	(369)	(2,150)
Acquisition of intangible assets	(2,028)	(2,348)
Net cash used in investing activities	(2,397)	(4,498)
Increase in cash and cash equivalents	6,839	14,524
Cash and cash equivalents, beginning of year	14,524	–
Cash and cash equivalents, end of year	\$ 21,363	\$ 14,524

See accompanying notes to consolidated financial statements.

theScore, Inc.

Notes to Consolidated Financial Statements
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2014 and 2013

1. Nature of operations:

(a) Business:

theScore, Inc. ("theScore" or the "Company") creates mobile-first sports experiences, connecting fans to a combination of real-time news, scores, fantasy information and alerts while creating and curating content that is mobile-optimized, comprehensive, customizable and shareable. theScore principally operates in Canada and is currently headquartered at 500 King Street West, 4th floor, Toronto, Ontario, M5V 1L9. Common shares began trading on the TSX-V on October 25, 2012 under the symbol SCR.TO. The Company is organized and operates as one operating segment for the purpose of making operating decisions and assessing performance. Substantially all of the Company's assets are located in Canada and a majority of the Company's expenses are incurred in Canada.

Prior to October 19, 2012, the digital media business ("Score Digital") of theScore was a business of Score Media Inc. (the "Former Parent"). Score Digital represented a portion of the Former Parent's business and did not constitute a separate consolidated group.

On August 25, 2012, the Former 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 Former Parent via an acquisition of all of the outstanding shares of the Former Parent for \$1.62 per share; and (ii) Score Digital would be spun out to the Former Parent's shareholders as a new corporation, theScore, formed to acquire Score Digital and certain assets of the Former Parent and its subsidiaries.

The Arrangement was approved by the Board of Directors of the Former Parent, and by the Former Parent's shareholders, on October 17, 2012, and the Arrangement closed on October 19, 2012. Under the terms of the Arrangement Agreement, Rogers acquired all of the outstanding shares of the Former Parent and an interest in theScore.

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 theScore \$1.0 million per annum for the development and licensing of a white-label version of theScore's ScoreMobile application;

theScore, Inc.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2014 and 2013

1. Nature of operations (continued):

- a transitional services agreement, that remained in effect until July 31, 2013, that provided the Former 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
- a Business Separation Agreement that provided for the separation of the television and digital media businesses of the Former Parent prior to closing of the Arrangement and included certain indemnifications primarily related to taxation matters in favour of the Former Parent, and its affiliates, directors, officers and employees which are limited to \$3.0 million in the aggregate. The indemnity period is 24 months from the closing of the Arrangement (October 19, 2012) for all non-tax related matters, and 30 days following the expiry of the applicable limitation periods in the Income Tax Act (Canada) for all tax-related matters. No indemnification claims have been made.

Pursuant to the Business Separation Agreement, the Former Parent capitalized theScore for \$11.6 million, inclusive of \$1.8 million held in escrow until the first anniversary of the closing of the Arrangement being October 19, 2013. The amount held in escrow was released to the Company in full during the year ended August 31, 2014.

Prior to the amalgamation noted below, theScore previously consolidated the following entities, which up until October 19, 2012 were wholly owned subsidiaries of the Former Parent and were consolidated by and under the control of the Former 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.

theScore, Inc.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2014 and 2013

1. Nature of operations (continued):

Together, the aforementioned subsidiaries are referred to in these consolidated financial statements as the "Combined Subsidiaries" for the period prior to October 19, 2012.

On September 1, 2013, Score Media Ventures Inc., 2283546 Ontario Inc., Hardcore Sports Radio Inc., St. Clair Group Investments Inc., Score Productions Inc. and SMI International Holdings Inc. amalgamated, pursuant to the provisions of the Ontario Business Corporations Act and will continue as one corporation, Score Media Ventures Inc.

Subsidiaries of the Former Parent that are not part of theScore and were related parties up until October 19, 2012 are referred to as the "Remaining Group" and include the following:

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

(b) Basis of presentation and statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements are presented in Canadian dollars, which is theScore's functional currency.

These consolidated financial statements were approved by the Board of Directors of theScore on October 14, 2014.

theScore, Inc.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2014 and 2013

1. Nature of operations (continued):

theScore elected to present comparative consolidated financial information before October 19, 2012 as if the acquisition of Score Digital had occurred before September 1, 2012 using the continuity of interest basis of accounting where book value accounting has been applied resulting in the acquired assets and liabilities of Score Digital being recorded at the carrying value of the Former Parent in its consolidated financial statements. Amounts included in the comparative consolidated financial statements with respect to the period before October 19, 2012 have been prepared on a combined consolidated carve-out basis from the books and records of the Former Parent and its subsidiaries and purport to represent the historical financial performance, financial position and cash flows of Score Digital as if it had existed as a separate stand-alone group of entities under the Former Parent's management, and applying consolidation principles to account for intergroup investments and transactions. Entities included in the comparative consolidated financial statements with respect to the period before October 19, 2012 are the subsidiaries that, upon completion of the Arrangement, ceased to be wholly owned subsidiaries of the Former Parent and became wholly owned subsidiaries of theScore pursuant to the Arrangement.

Additionally, loss per share for the comparative consolidated financial statements has been determined using the loss for the year and the number of shares issued on the initial capitalization of theScore as if those were the number of shares outstanding for that period.

theScore, Inc.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2014 and 2013

1. Nature of operations (continued):

The financial performance, financial position and cash flows up to October 19, 2012 may not be indicative of what they would actually have been had Score Digital been a separate stand-alone entity. Costs directly related to Score Digital have been entirely attributed to Score Digital in the comparative consolidated financial statements for the period prior to October 19, 2012. From September 1, 2012 to October 19, 2012, Score Digital received services and support functions from the Former Parent and certain subsidiaries of the Former Parent and the Remaining Group. Up until October 19, 2012, Score Digital's operations were dependent upon the Former Parent's ability to perform these services and support functions. In addition to amounts historically charged to Score Digital from the Former Parent and Remaining Group for such services (notes 7 and 8), certain additional costs were allocated to Score Digital for purposes of preparation of the comparative consolidated financial statements for amounts included for the period prior to October 19, 2012. These allocated costs are as follows:

- Corporate administrative and other costs, including corporate costs used by Score Digital and paid by the Former Parent and Remaining Group. These costs have been allocated to Score Digital primarily based on proportionate revenue of theScore compared to consolidated revenue of the Former 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 Former Parent prior to October 19, 2012 on its credit facility, allocated to Score Digital based on a pro rata share of accessed funding from the Former Parent's credit facility.

Costs prior to October 19, 2012 have been allocated to Score Digital from the Former Parent and Remaining Group that were not repayable and consequently have been recorded as contributions from the Former Parent and Remaining Group within the Funded Deficiency account. The Funded Deficiency account represents the cumulative net investment by the Former Parent and Remaining Group in Score Digital up to October 19, 2012 and includes cumulative operating results, including other comprehensive loss. Upon the initial capitalization of theScore arising from the Arrangement Agreement and consideration of the related transactions steps, the amounts due to the Former Parent and Remaining Group, which were either settled or acquired, have been recorded as part of retained earnings of theScore.

theScore, Inc.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2014 and 2013

1. Nature of operations (continued):

Management believes the assumptions and allocations underlying the period before October 19, 2012 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 theScore during the period prior to October 19, 2012. However, these assumptions and allocations are not necessarily indicative of the costs theScore would have incurred if it had operated on a stand-alone basis or as an entity independent of the Former Parent.

2. Significant accounting policies:

(a) Basis of measurement:

The consolidated financial statements have been primarily prepared using the historical cost basis.

(b) Principles of consolidation:

(i) Subsidiaries:

Subsidiaries are entities controlled by entities within theScore. theScore controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. theScore has two wholly-owned subsidiaries that are material subsidiaries through which theScore owns its assets and operates its business, being Score Media Ventures Inc. and ScoreMobile Inc.

(ii) Investments in equity-accounted for investee:

theScore's interests in investments in associates are accounted for using the equity method of accounting. Associates are those entities in which theScore has significant influence, but not unilateral control or joint control, over the financial and operating policies.

theScore, Inc.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2014 and 2013

2. Significant accounting policies (continued):

Investments in associates are initially recognized at cost. The carrying amount is increased or decreased to recognize, in income and loss, theScore'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 theScore, and any unrealized revenue and expenses arising from intercompany transactions are eliminated in preparing these consolidated financial statements.

(c) Property and equipment:

(i) Recognition and measurement:

Property and equipment are 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. The carrying amount of any replaced component or a component no longer in use 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 property and equipment will flow to theScore and the costs of the item can be reliably measured. All other expenses are charged to operating expenses as incurred.

theScore, Inc.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2014 and 2013

2. Significant accounting policies (continued):

(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%
Leasehold improvements	Shorter of asset's useful life and the term of lease

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 consolidated financial statements.

(d) Intangible assets:

Intangible assets with finite 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 finite 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 consolidated financial statements.

Trademark and domain names are being amortized on a straight-line basis over the expected useful life of the asset ranging from 2 to 10 years.

Computer software is typically amortized on a 100% declining-balance basis.

theScore, Inc.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2014 and 2013

2. Significant accounting policies (continued):

Product development costs represent both external and internal costs incurred by theScore 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 commencing when they are available for use and form part of the revenue-producing activities of theScore. Research, maintenance, improvements, promotional and advertising expenses associated with theScore's products are expensed as incurred.

Acquired technology and related customer relationship intangibles represent additional mobile applications and the customers of those mobile applications that were previously acquired from a third party. Acquired technology and customer relationships are generally 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 property and 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. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. 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.

theScore, Inc.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2014 and 2013

2. Significant accounting policies (continued):

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.

(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.

theScore 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) Revenue recognition:

theScore recognizes revenue once services have been rendered, fees are fixed and determinable, and collectability is reasonably assured. theScore's principal sources of revenue are from advertising on its digital media properties and from licensing its mobile application, and have been recognized as follows:

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

theScore, Inc.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2014 and 2013

2. Significant accounting policies (continued):

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

Periodically, theScore 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 when the individual components do not have stand-alone value. In those instances, the arrangement consideration is generally recognized as revenue over the expected period of performance.

(g) Financial instruments:

(i) Recognition:

theScore 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 theScore becomes a party to the contractual provision of the instrument. Financial assets expire when the rights to receive cash flows have expired or were transferred and theScore has transferred substantially all risks and rewards of ownership. theScore ceases to recognize a financial liability when its contractual obligations are discharged, cancelled or expired.

(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 other amounts receivable.

theScore, Inc.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2014 and 2013

2. Significant accounting policies (continued):

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified within loans and receivables or financial assets at fair value through profit or loss. Subsequent to initial recognition, the investment is measured at fair value and changes therein, other than impairment losses which are recognized in profit or loss, are recognized in other comprehensive income or loss and presented within equity as a fair value reserve. When an investment is sold, the cumulative gain or loss in other comprehensive income or loss is transferred to profit or loss for the year.

theScore had no held-to-maturity financial assets at fair value through income and loss during the years ended August 31, 2014 and 2013.

(b) Non-derivative financial liabilities:

Accounts payable and accrued liabilities 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 consolidated statements of comprehensive loss. theScore assesses whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when theScore first becomes a party to the contract. theScore did not hold any derivative financial instruments as at August 31, 2014 and 2013.

(h) 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.

theScore, Inc.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2014 and 2013

2. Significant accounting policies (continued):

(i) Share-based payment transactions:

Certain members of theScore's personnel participate in share-based compensation plans (note 12). The share-based compensation costs associated with theScore's and theScore's participating personnel were directly expensed by theScore under personnel expense in profit or loss. The grant date fair value of share-based payment awards granted to theScore's employees is recognized as a compensation cost, with a corresponding increase in contributed surplus within shareholders' equity, 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.

(j) 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 theScore 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.

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. theScore has no material provisions as at August 31, 2014 and 2013.

(k) Operating leases:

The aggregate cost of operating leases are recognized in profit 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.

theScore, Inc.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2014 and 2013

2. Significant accounting policies (continued):

(l) Foreign currency transactions:

Transactions in foreign currencies are translated to the functional currency of theScore'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 theScore at the reporting date. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are not re-translated.

Foreign currency gains and losses are recognized in finance costs (income) and reported on a net basis.

(m) Income taxes:

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.

theScore, Inc.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2014 and 2013

2. Significant accounting policies (continued):

(n) Refundable tax credits:

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 theScore 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. When collection of the tax credits is not expected within 12 months of the end of the reporting year, then such amounts are classified as non-current assets.

(o) Finance income and finance costs:

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

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 are 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.

(p) Segment information:

The Company is organized and operates as one operating segment for purposes of making operating decisions and assessing performance. The chief operating decision-makers, being the Chairman and Chief Executive Officer and the President and Chief Operating Officer, evaluate performance, make operating decisions and allocate resources based on financial data consistent with the presentation in these consolidated financial statements. Virtually all of the Company's assets are located in Canada and most of the Company's expenses are incurred in Canada.

theScore, Inc.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2014 and 2013

2. Significant accounting policies (continued):

(q) Use of estimates and judgments:

The preparation of these consolidated 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 and capitalization of internal labour costs in connection with internally developed intangible assets.

(ii) Tax credits:

Refundable tax credits related to expenditures to develop digital media products are recognized when there is reasonable assurance that they will be received and theScore has and will comply with the conditions associated with the relevant government program. Management's judgment is required in determining which expenditures and projects are reasonably assured of compliance with the relevant conditions and criteria and have, accordingly, met the recognition criteria.

(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 over its remaining useful life.

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.

theScore, Inc.

Notes to Consolidated Financial Statements (continued)
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Years ended August 31, 2014 and 2013

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 comprise a large and diverse base of advertisers dispersed across varying industries and locations that purchase advertising on theScore's digital media platforms.

theScore 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.

(r) Recently adopted accounting pronouncements:

(i) IAS 1, Presentation of Financial Statements ("IAS 1"):

In June 2011, the IASB published amendments to IAS 1. The amendments require that an entity present separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. theScore adopted the amendments in its financial statements for the annual period beginning on September 1, 2013. The amendments to IAS 1 did not have an impact on the Company's consolidated financial statements.

(ii) IAS 28, Investments in Associates and Joint Ventures ("IAS 28"):

In May 2011, the IASB published amendments to IAS 28, which previously specified that the cessation of significant influence or joint control triggered remeasurement of any retained stake in all cases with gain recognition in profit or loss, even if significant influence was succeeded by joint control. IAS 28 now requires that in such scenarios, the retained interest in the investment is not remeasured. The Company adopted the amendments in its consolidated financial statements for the period beginning on September 1, 2013. The amendments to IAS 28 did not have an impact on the Company's consolidated financial statements.

theScore, Inc.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2014 and 2013

2. Significant accounting policies (continued):

(iii) IFRS 10, Consolidated Financial Statements ("IFRS 10"):

In May 2011, the IASB issued IFRS 10, which replaces the consolidation requirements of Standing Interpretation Committee 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 became effective for theScore's financial statements commencing September 1, 2013. IFRS 10 did not have an impact on the Company's consolidated financial statements.

(iv) IFRS 11, Joint Arrangements ("IFRS 11"):

In May 2011, the IASB issued 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. 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 became effective for theScore's financial statements commencing September 1, 2013. IFRS 11 did not have an impact on the Company's consolidated financial statements.

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

In May 2011, the IASB issued IFRS 12. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. This new standard became effective for theScore's financial statements commencing September 1, 2013. IFRS 12 did not have an impact on the Company's consolidated financial statements.

theScore, Inc.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2014 and 2013

2. Significant accounting policies (continued):

(vi) IFRS 13, Fair Value Measurement ("IFRS 13"):

In May 2010, the IASB issued IFRS 13, which replaces the fair value guidance contained in individual IFRSs with a single source of fair value measurement guidance. theScore adopted IFRS 13 for its financial statements commencing September 1, 2014 on a prospective basis. The adoption did not have an impact on the measurements of assets and liabilities. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income. The Company adopted IFRS 13 prospectively in its consolidated financial statements beginning on September 1, 2013. IFRS 13 did not have a material impact on the Company's consolidated financial statements.

(s) Recently released accounting pronouncements:

(i) IFRS 9, Financial Instruments ("IFRS 9"):

On July 24, 2014, the IASB issued the complete IFRS 9. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. IFRS 9 introduces new requirements for the classification and measurement of financial assets, additional changes relating to financial liabilities, a new general hedge accounting standard which will align hedge accounting more closely with risk management, and also amends the impairment model. The Company does not intend to early adopt IFRS 9. The extent of the impact of adoption has not yet been determined.

theScore, Inc.

Notes to Consolidated Financial Statements (continued)
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Years ended August 31, 2014 and 2013

2. Significant accounting policies (continued):

(ii) IAS 32, Offsetting Financial Assets and Financial Liabilities ("IAS 32"):

In December 2011, the IASB published IAS 32. The effective date for the amendments to IAS 32 is annual periods beginning on or after January 1, 2014. These amendments are to be applied retrospectively. The amendments to IAS 32 clarify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The Company intends to adopt the amendments to IAS 32 in its financial statements for the annual period beginning September 1, 2014. The extent of the impact of adoption of the amendments has not yet been determined.

(iii) IFRIC 21, Levies ("IFRIC 21"):

In May 2013, the IASB issued IFRIC 21. This IFRIC is effective for annual periods commencing on or after January 1, 2014 and is to be applied retrospectively. The IFRIC provides guidance on accounting for levies in accordance with the requirements of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It also notes that levies do not arise from executor contracts or other contractual arrangements. The interpretation also confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. The Company intends to adopt IFRIC 21 in its financial statements for the annual period beginning September 1, 2014. The extent of the impact of adoption of the amendments has not yet been determined.

(iv) IFRS 15, Revenue from Contracts with Customers ("IFRS 15"):

In May 2014, the IASB issued IFRS 15. The new standard is effective for fiscal years ending on or after December 31, 2017 and is available for early adoption. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning September 1, 2017. The extent of the impact of the adoption of this standard has not yet been determined.

theScore, Inc.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2014 and 2013

3. Property and equipment:

	Computer equipment	Leasehold improvements	Office equipment	Total
Cost				
Balance, August 31, 2012	\$ 536	\$ –	\$ 17	\$ 553
Additions	337	1,516	297	2,150
Acquisitions - from Arrangement	5	–	191	196
Balance, August 31, 2013	878	1,516	505	2,899
Additions	112	93	164	369
Balance, August 31, 2014	\$ 990	\$ 1,609	\$ 669	\$ 3,268
Accumulated depreciation				
Balance, August 31, 2012	\$ 301	\$ –	\$ 6	\$ 307
Depreciation	112	109	58	279
Balance, August 31, 2013	413	109	64	586
Depreciation	159	248	120	527
Balance, August 31, 2014	\$ 572	\$ 357	\$ 184	\$ 1,113
Carrying amounts				
Balance, August 31, 2012	\$ 235	\$ –	\$ 11	\$ 246
Balance, August 31, 2013	465	1,407	441	2,313
Balance, August 31, 2014	418	1,252	485	2,155

In the years presented, no impairment charges were recognized in respect of individual assets within property and equipment and the Company did not dispose of any assets or adjust useful lives.

theScore, Inc.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2014 and 2013

4. Intangible assets:

	Product development	Trademarks and domain names	Computer software	Acquired technology	Acquired customer relationships	Total
Cost						
Balance, August 31, 2012	\$ 10,399	\$ 166	\$ 1,082	\$ 239	\$ 485	\$ 12,371
Additions - internally developed, net of tax credits	2,055	—	—	—	—	2,055
Acquisitions from the Arrangement	—	—	46	—	—	46
Additions - other	—	4	—	—	—	4
Balance, August 31, 2013	12,454	170	1,128	239	485	14,476
Additions - internally developed, net of tax credits	433	—	—	—	—	433
Impairment loss/derecognition	(644)	—	—	—	—	(644)
Additions - other	—	90	31	—	—	121
Balance, August 31, 2014	\$ 12,243	\$ 260	\$ 1,159	\$ 239	\$ 485	\$ 14,386
Accumulated amortization						
Balance, August 31, 2012	\$ 3,731	\$ 96	\$ 1,070	\$ 89	\$ 179	\$ 5,165
Amortization, net of tax credits	2,531	27	46	92	92	2,788
Balance, August 31, 2013	6,262	123	1,116	181	271	7,953
Impairment loss/derecognition	(444)	—	—	—	—	(444)
Amortization, net of tax credits	1,757	15	24	58	64	1,918
Balance, August 31, 2014	\$ 7,575	\$ 138	\$ 1,140	\$ 239	\$ 335	\$ 9,427
Carrying value						
Balance, August 31, 2012	\$ 6,668	\$ 70	\$ 12	\$ 150	\$ 306	\$ 7,206
Balance, August 31, 2013	6,192	47	12	58	214	6,523
Balance, August 31, 2014	4,668	122	19	—	150	4,959

theScore, Inc.

Notes to Consolidated Financial Statements (continued)
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Years ended August 31, 2014 and 2013

4. Intangible assets (continued):

In 2013, the Company reduced the remaining estimated useful lives of two components. The change in estimate was applied in 2014 and resulted in additional amortization of \$98 during the year.

In addition, during the year ended August 31, 2014, theScore integrated its mobile and tablet applications into a single product and recognized an impairment and derecognition of \$644 in intangible assets and \$444 in corresponding accumulated amortization resulting in an overall impairment loss of \$200. The impairment relates to its previous standalone tablet application that is no longer in operation and thus not revenue-generating. The charge has been recorded as part of technology related expenses in profit or loss.

5. Investment:

During the year ended August 31, 2013, theScore's equity investee completed a financing arrangement whereby theScore's ownership interest was diluted to 14% and it relinquished certain rights previously associated with the common shares held. As a consequence, theScore determined that it no longer had significant influence over the equity investee and as a result, ceased using the equity method to account for its investment. theScore recorded a loss of \$111 during the year ended August 31, 2013 representing the amount of the carrying value of its investment that exceeded the fair value at the date significant influence was lost. theScore commenced accounting for its investment as available-for-sale in January 2013. During 2013 and during the period significant influence existed, theScore recognized its share of the loss reported by the equity investee totalling \$33. These losses have been classified as part of facilities, administration, and other in the statement of comprehensive loss.

theScore, Inc.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2014 and 2013

6. Related party transactions:

(a) Transactions with equity investee:

During the year ended August 31, 2013, theScore incurred development fees under a development services agreement and incurred recruitment charges associated with hiring certain personnel previously employed by the equity investee. Total costs incurred in the year ended August 31, 2013 amounted to \$716, of which \$466 was capitalized as part of product development intangible assets. As of August 31, 2013, theScore's accounts payable balance due to its equity accounted investee for such development costs was nil. On September 30, 2012, theScore's development services agreement with its former equity accounted investee expired. The related party transactions were in the normal course of operations.

(b) Lease agreement with director and officer:

The Company entered into a lease in October 2012 for a property partially owned by a director and officer of the Company. The aggregate rent paid by the Company during the fiscal year ended August 31, 2014 was \$31 (2013 - \$31). The corresponding payable balances as at August 31, 2014 and 2013 were nil.

(c) Transaction with key management personnel:

Key management personnel of theScore include directors and other senior executives. Total compensation costs for these key management personnel are as follows:

	2014	2013
Salaries and non-equity incentive compensation	\$ 1,597	\$ 1,303
Share-based and other compensation	128	91
Total	\$ 1,725	\$ 1,394

theScore, Inc.

Notes to Consolidated Financial Statements (continued)
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Years ended August 31, 2014 and 2013

7. Transactions with Remaining Group:

Prior to October 19, 2012, Remaining Group were related by virtue of common ownership by the Former Parent. During the period from September 1, 2012 to October 19, 2012, the Remaining Group paid \$531 for certain operating costs of Score Digital, including personnel costs and other operating costs.

The amounts due to/from Remaining Group were due on demand and were non-interest bearing. Prior to the closing of the Arrangement (note 1), the balances due to/from Remaining Group were either settled or acquired by theScore.

8. Transactions with Former Parent:

Due to Former Parent and transactions with Former Parent:

- (a) Until October 19, 2012, the Former Parent provided the Combined Subsidiaries access to, at its discretion, the Former Parent's revolving credit facility with a Canadian chartered bank.
- (b) During the period from September 1, 2012 to October 19, 2012, management fees of \$48 were charged by the Former Parent.
- (c) During the period from September 1, 2012 to October 19, 2012, the Former Parent paid \$1,624 for certain operating costs of the Combined Subsidiaries, including personnel costs and other administrative costs.

The amounts due to Former Parent were due on demand and were non-interest bearing. Prior to the closing of the Arrangement (note 1), the due to Former Parent balances were either settled or acquired by theScore.

theScore, Inc.

Notes to Consolidated Financial Statements (continued)
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Years ended August 31, 2014 and 2013

9. Tax credits:

TheScore has access to refundable credits for qualifying digital media expenditures incurred that are available as part of the Ontario Interactive Digital Media Tax Credit legislation created by the Government of Ontario and managed by the Ontario Media Development Corporation ("OMDC").

As at August 31, 2014, tax credits recoverable of \$2,060 and \$4,485 are included in tax credits recoverable - current and tax credits recoverable - non-current, respectively, in the consolidated statement of financial position (August 31, 2013 - \$1,295 and \$1,782, respectively). Tax credits recoverable reflect management's best estimate of credits that are reasonably assured of realization considering both certificates of eligibility received from the OMDC for specific claims and the OMDC's historical acceptance of expenditures of a similar nature for refundable credit. As at August 31, 2014, the recorded tax credits recoverable included credits of \$2,060 for which theScore has received a certificate of eligibility from the OMDC and is awaiting payment.

During the years ended August 31, 2014 and 2013, theScore recorded accrued refundable tax credits in respect of digital media expenditures as described below:

(a) Fiscal 2014 expenditures:

During the year ended August 31, 2014, theScore accrued \$1,607 of tax credits receivable for eligible expenditures incurred during the year. An amount of \$921 of the accrual was recorded as a reduction of related personnel expenses in the consolidated statement of comprehensive loss, and \$686 of the accrual was recorded as a reduction of related internal development costs capitalized as intangible assets.

(b) Fiscal 2013 and prior year expenditures:

During the year ended August 31, 2014, theScore accrued an additional \$1,860 of tax credits receivable related to expenditures incurred during fiscal 2010 through 2013. An amount of \$1,073 of the additional accrual was recorded as a reduction of related personnel expenses in the consolidated statement of comprehensive loss, \$352 of the additional accrual was recorded as a reduction of amortization expense in the consolidated statement of comprehensive loss and \$435 of the additional accrual was recorded as a reduction of related internal development costs capitalized as intangible assets.

theScore, Inc.

Notes to Consolidated Financial Statements (continued)
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Years ended August 31, 2014 and 2013

9. Tax credits (continued):

During the year ended August 31, 2013, theScore accrued \$1,214 of tax credits receivable for eligible expenditures, net of adjustments relating to expenditures incurred during fiscal 2010 and 2011. An amount of \$979 of the accrual was recorded as a reduction of related personnel expenses in the consolidated statement of comprehensive loss and \$235 of the accrual was recorded as a reduction of related internal development costs capitalized as intangible assets.

10. Capital risk management:

theScore's objectives in managing capital are to maintain its liquidity to fund future development and growth of the business. The capital structure consists of shareholders' equity and cash.

theScore manages and adjusts the capital structure in consideration of changes in economic conditions and the risk characteristics of the underlying assets. theScore is not subject to any externally imposed capital requirements.

11. Financial risk management:

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

(a) Credit risk:

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

theScore, Inc.

Notes to Consolidated Financial Statements (continued)
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Years ended August 31, 2014 and 2013

11. Financial risk management (continued):

theScore 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, 2014 and 2013, theScore had an allowance for doubtful accounts of \$10 and \$22, respectively.

At August 31, 2014 and 2013, \$156 and \$88, 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 the date of initial date of invoicing. theScore believes that its allowance for doubtful accounts sufficiently reflected the related credit risk based on the nature of theScore's customers and consideration of past performance.

theScore has customer concentration risk as one customer represented 13% (2013 - 16%), of revenue, and two customers represented 11% and 15% (2013 - 22% and 11%), respectively, of the accounts receivable balance as at August 31, 2014.

theScore does not believe that it is exposed to significant credit risk in respect of other receivables, which consist of tax credits receivable.

(b) Liquidity risk:

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

theScore has the following firm commitments under agreements:

	Not later than one year	Later than one year and not later than five years	Later than five years	Total
Content	\$ 312	\$ 312	\$ –	\$ 624
Office lease	390	1,679	–	2,069
Total	\$ 702	\$ 1,991	\$ –	\$ 2,693

theScore, Inc.

Notes to Consolidated Financial Statements (continued)
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Years ended August 31, 2014 and 2013

11. Financial risk management (continued):

During the fiscal year ended August 31, 2013, theScore signed a three-year agreement, with a three-year renewal term available at theScore's option to access some of its content, in particular scores, statistics and standings.

During the fiscal year ended August 31, 2013, theScore signed a lease agreement committing to rent office space in Toronto, Ontario for six years, with a five-year renewal term available at theScore's option.

As at August 31, 2014, theScore had cash and cash equivalents of \$21,363 (2013 - \$14,524), accounts receivable of \$1,472 (2013 - \$1,621), other receivables of nil (2013 - \$2,030), tax credits recoverable of \$2,060 (2013 - \$1,295), and accounts payable and accrued liabilities to third parties of \$3,052 (2013 - \$2,380). Accounts payable and accrued liabilities have contracted maturities of less than three months.

Management prepares budgets and cash flow forecasts to assist in managing liquidity risk. theScore 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. While theScore can utilize its cash and cash equivalents to fund its operating and development expenditures, it does not have access to committed credit facilities or other committed sources of funding, and depending upon the level of expenditures and whether profitable operations can be achieved, may be required to seek additional funding in the future.

(c) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices, will affect theScore's income or the value of its holdings of financial instruments.

The Company does not engage in risk management practices, such as hedging or use of derivative instruments.

theScore, Inc.

Notes to Consolidated Financial Statements (continued)
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Years ended August 31, 2014 and 2013

11. Financial risk management (continued):

theScore's head office is located in Canada. Some of theScore's customers and suppliers are based in Canada and, therefore, transact in Canadian dollars. Certain 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 theScore to foreign exchange risk. theScore's exposure to foreign exchange risk is deemed to be low, as the net impact of U.S.-denominated receivables and payables balances has not been significant historically. The Score's foreign exchange gain for the years ended August 31, 2014 and 2013 was nil and \$8, respectively.

(d) Fair values:

The fair values of theScore's financial assets and liabilities, including cash equivalents, accounts receivable, and accounts payable and accrued liabilities were deemed to approximate their carrying amounts due to the relative short-term nature of these financial instruments.

The Company provides disclosure of the three-level hierarchy that reflects the significance of the inputs used in making the fair value measurement. The three levels of fair value hierarchy based on the reliability of inputs are as follows:

- Level 1 - inputs are quoted prices in active markets for identical assets and liabilities;
- Level 2 - inputs are based on observable market data, either directly or indirectly other than quoted prices; and
- Level 3 - inputs are not based on observable market data.

The Company has one financial asset measured on a fair value basis using Level 3 inputs being an available-for-sale financial asset, which has been determined by reference to the most recent external capital financing transaction and consideration of other indicators of fair value as the entity is not a public company and, therefore, there is no quoted market price at theScore's reporting date.

theScore, Inc.

Notes to Consolidated Financial Statements (continued)
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Years ended August 31, 2014 and 2013

11. Financial risk management (continued):

(e) Cash and cash equivalents:

	2014	2013
Cash	\$ 12,369	\$ 3,546
Cash equivalents:		
Government treasury bills	8,994	10,978
Total cash and cash equivalents	\$ 21,363	\$ 14,524

12. Share-based compensation:

(a) Stock option plan:

theScore 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 and full-time employees of, or consultants to, theScore options to acquire Class A Subordinate Voting shares. Under the Plan, the exercise price of an option is based on the closing trading price on the day prior to the grant. An option's maximum term is 10 years and options generally vest in six-month tranches over a period of three years. Certain of theScore's employees and consultants participate in the Plan in exchange for services provided to theScore.

The following table summarizes the status of options granted to employees of theScore under the Plan:

	Number	Exercise price	Weighted average exercise
Outstanding options, August 31, 2012	–	\$ –	\$ –
Granted	4,570,000	0.13	0.13
Cancelled	(370,003)	0.13	0.13
Exercised	(19,997)	0.13	0.13
Outstanding options, August 31, 2013	4,180,000	0.13	0.13
Granted	5,145,000	0.18	0.18
Cancelled	(386,662)	0.13 - 0.18	0.16
Exercised	(127,828)	0.13 - 0.18	0.14
Outstanding options, August 31, 2014	8,810,510		0.16
Options exercisable, August 31, 2014			2,629,113

theScore, Inc.

Notes to Consolidated Financial Statements (continued)
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Years ended August 31, 2014 and 2013

12. Share-based compensation (continued):

As at August 31, 2014, the weighted average remaining contractual life of the options exercisable and outstanding was 5.13 years and 4.83 years, respectively.

The estimated fair value of options granted was determined on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2014	2013
Risk-free interest rate	1% - 2%	1% - 2%
Dividend yield	—	—
Volatility factor of the future expected market price of shares	70%	71%
Weighted average expected life of the options	3 - 10 years	3 - 10 years

During the years ended August 31, 2014 and 2013, share-based compensation expense relating to stock options under the Plan of \$396 and \$153, respectively, was included as part of personnel expenses in profit and loss.

(b) Share purchase plan:

The Company has a share purchase plan (the "SPP") in order to facilitate the acquisition and the retention of Class A Subordinate Voting shares by eligible participants. The SPP allows eligible participants to voluntarily join in a share purchase program. Under the terms of the SPP, eligible participants can have up to 5% of their compensation deducted from their pay to contribute towards the purchase of Class A Subordinate Voting shares of the Company. The Company makes a contribution equal to the amount of the compensation contributed by each participant. The Class A Subordinate Voting shares are purchased by an independent broker through the facilities of the TSX Venture Exchange and are held by a custodian on behalf of the SPP participants. During the years ended August 31, 2014 and 2013, theScore recorded an expense of \$236 and \$80 as part of personnel expenses within profit or loss, respectively, relating to its participating employees in the SPP.

theScore, Inc.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2014 and 2013

13. Revenue:

theScore has two distinct sources of revenue - advertising on its digital media products and licensing of its mobile applications. The revenue earned from each of these revenue sources is as follows:

	2014	2013
Advertising	\$ 6,820	\$ 4,408
Licensing	1,000	861
	\$ 7,820	\$ 5,269

Revenue from Canadian sources was \$3,692 (2013 - \$3,299), while revenue from non-Canadian (predominantly U.S.A.) sources was \$4,128 (2013 - \$1,970).

14. Basic and diluted loss per share:

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

	2014	2013
Net loss available to shareholders - basic and diluted	\$ (10,686)	\$ (11,395)
Weighted average shares outstanding - basic and diluted	200,105,585	104,174,989
Loss per share - basic and diluted	\$ (0.05)	\$ (0.11)

During the years ended August 31, 2014 and 2013, there were no outstanding stock options to purchase Class A Subordinate Voting shares included in the computation of diluted loss per share as the impact would have been anti-dilutive.

theScore, Inc.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2014 and 2013

15. Shareholders' equity:

theScore is authorized to issue the following capital stock:

5,566 Special Voting shares
Unlimited Class A Subordinate Voting shares
Unlimited Preference shares

The Special Voting shares, each convertible into one Class A Subordinate Voting share, entitle the holders to vote separately as a class and to one vote for each share held. In addition, these shares shall have the right to elect that number of members of the Board of Directors of theScore that would constitute a majority of the authorized number of directors of theScore plus two, subject to the right of the holders of Class A Subordinate Voting shares to elect at least two members of the Board of Directors.

The holders of Class A Subordinate Voting shares are entitled to one vote for each share held at all meetings of the shareholders, other than meetings at which only the holders of another class or series of shares are entitled to vote separately.

The Preference shares are non-voting, except in certain circumstances and shall, with respect to the payment of dividends and the dissolution of assets in the event of liquidation or any other distribution of assets, rank on a parity with the Preference shares of other series and be entitled to preference in liquidation over the Special Voting shares and the Class A Subordinate Voting shares. As at the year ended August 31, 2014, no preference shares have been issued.

On May 6, 2014, theScore closed a public offering of 30,360,000 Class A Subordinate Voting Shares at \$0.30 per share concurrent with the full exercise of the over-allotment option, for gross proceeds of \$9,108. theScore also closed a concurrent private placement of 27,140,000 Class A Subordinate Voting Shares for gross proceeds of \$8,142. The aggregate proceeds were \$17,250 and the proceeds net of commissions, legal costs and listing fees was \$16,165. A company controlled and directed by theScore's Chairman and Chief Executive Officer and largest shareholder participated in the private placement, purchasing 16,560,000 shares.

On May 6, 2013, theScore issued 100,000,000 Class A Subordinate Voting Shares at a price of \$0.16 per share for proceeds of \$15,874 (net of legal costs and listing fees totalling \$126). A company controlled and directed by theScore's Chairman and Chief Executive Officer and largest shareholder participated in the private placement, purchasing 11,877,327 shares.

theScore, Inc.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2014 and 2013

15. Shareholders' equity (continued):

On October 19, 2012, pursuant to the Business Separation Agreement, the Former Parent capitalized theScore for \$11,600 and theScore issued 95,015,276 Class A Subordinate Voting shares and 5,566 Special Voting shares (note 1(a)).

On August 30, 2012, the date of incorporation of theScore, the Company issued 1 Class A Subordinate Voting share for \$1.

16. Deferred tax assets:

Recognized deferred tax assets and liabilities:

Recognized deferred tax assets and liabilities are attributable to the following:

Deferred income tax asset (liability)	Non-capital losses	Tax credits	Net
2014	\$ 1,734	\$ (1,734)	\$ –
2013	815	(815)	–

The reclassification relates to the offsetting of deferred tax assets and deferred tax liabilities.

Unrecognized deferred tax assets:

Deferred tax assets have not been recognized for the following items as management estimated that it would not be probable that future taxable income will be available against which theScore could utilize the benefits therefrom.

Deferred tax assets have not been recognized in respect of the following items:

	2014	2013
Deferred tax assets:		
Non-capital income tax loss carryforwards	\$ 9,431	\$ 7,040
Equipment and other deductible differences	2,058	1,752
Total	\$ 11,489	\$ 8,792

theScore, Inc.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise stated)

Years ended August 31, 2014 and 2013

16. Deferred tax assets (continued):

As at August 31, 2014, theScore has the following unrecognized non-capital losses available to reduce future years' taxable income for income tax purposes:

Income tax losses expiring in the year ending August 31:	
2031	\$ 4,515
2032	9,550
2033	11,288
2034	9,805
	<hr/>
	\$ 35,158

The equipment and other deductible temporary differences of \$7,766 do not expire under current legislation.

During the years ended August 31, 2014 and 2013, theScore recorded current and deferred income tax expense of nil. A reconciliation of the income tax recovery based on the statutory income tax rate to that recorded is as follows:

	2014	2013
Income tax recovery based on the combined statutory income tax of 26.5% (2013 - 26.5%)	\$ (2,839)	\$ (3,019)
Tax effect of non-deductible and non-taxable items	121	67
Current year tax losses and deductible temporary differences for which no deferred tax is recognized	2,834	2,952
Tax rate difference on foreign profit or loss	(116)	—
Income tax expense	<hr/>	<hr/>
	\$ —	\$ —
