

ZOOMERMEDIA LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

October 28, 2010

Auditors' Report

To the Shareholders of ZoomerMedia Limited

We have audited the consolidated balance sheet of ZoomerMedia Limited as at June 30, 2010 and the consolidated statements of loss and comprehensive loss and deficit and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at June 30, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at June 30, 2009 and for the year then ended were audited by other auditors, who expressed an opinion without reservation on those statements in their report dated October 14, 2009.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

ZOOMERMEDIA LIMITED

Consolidated Balance Sheets

As at June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Current		
Cash and short term deposits	\$ 3,469,391	\$ 1,507,434
Accounts receivable (Note 15)	10,116,912	1,848,413
Income taxes recoverable	-	12,195
Prepaid expenses	374,727	161,164
	<u>13,961,030</u>	<u>3,529,206</u>
Property and equipment (Note 4)	22,964,044	514,317
Other assets (Note 5)	-	69,442
Future tax asset (Note 10)	745,000	-
Intangible assets (Note 6)	55,295,690	12,295,188
Goodwill	8,365,032	1,967,494
	<u>\$ 101,330,796</u>	<u>\$ 18,375,647</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 15)	\$ 15,807,843	\$ 1,781,146
Deferred revenue (Note 7)	3,151,000	1,305,126
Current portion of long-term debt (Note 8)	1,621,310	360,472
Current portion of capital lease obligation (Note 11)	40,141	17,551
	<u>20,620,294</u>	<u>3,464,295</u>
Deferred revenue (Note 7)	775,885	1,735,465
Deferred leasehold liability	771,207	-
Long-term debt (Note 8)	22,755,079	2,943,166
Other liabilities (Note 9)	7,052,122	-
Future tax liability (Note 10)	986,000	200,000
Capital lease obligation (Note 11)	88,395	45,046
	<u>53,048,982</u>	<u>8,387,972</u>
Non-controlling interest	364,445	-
SHAREHOLDERS' EQUITY		
Share capital (Note 12)	59,290,393	13,080,984
Warrants (Note 12)	-	720,000
Contributed surplus (Note 12)	919,586	601,545
Deficit	(12,292,610)	(4,414,854)
	<u>47,917,369</u>	<u>9,987,675</u>
	<u>\$ 101,330,796</u>	<u>\$ 18,375,647</u>

Commitments and contingent liabilities (Note 18)

APPROVED ON BEHALF OF THE BOARD:

Signed "Moses Znaimer"

Moses Znaimer

Director

Signed "George Grant"

George Grant

Director

See accompanying notes to consolidated financial statements

ZOOMERMEDIA LIMITED**Consolidated Statements of Loss and Comprehensive Loss and Deficit
For the years ended June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
Revenue	\$ 10,291,441	\$ 9,664,236
Operating expenses	12,530,026	13,155,959
Depreciation	170,280	138,353
Amortization of intangibles	1,173,004	1,253,170
Interest expense	376,915	368,749
Impairment of intangibles (Note 6)	468,420	-
Impairment of goodwill (Note 6)	1,759,601	-
Loss before income taxes	<u>(6,186,805)</u>	<u>(5,251,995)</u>
Income taxes - current (Note 10)	-	-
Income taxes - future recovery (Note 10)	(945,000)	(1,437,000)
	<u>(945,000)</u>	<u>(1,437,000)</u>
Net loss and comprehensive loss for the year	(5,241,805)	(3,814,995)
Deficit, beginning of year	(4,414,854)	(599,859)
Excess over carrying value of assets acquired (Note 2)	(2,635,951)	-
Deficit, end of year	<u>\$ (12,292,610)</u>	<u>\$ (4,414,854)</u>
Net loss per share (basic and diluted) (Note 13)	<u>\$ (0.03)</u>	<u>\$ (0.02)</u>
Weighted average number of shares outstanding	<u>183,573,970</u>	<u>175,496,695</u>

See accompanying notes to consolidated financial statements

ZOOMERMEDIA LIMITED
Consolidated Statements of Cash Flows
For the years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating activities		
Net loss and comprehensive loss for the period	\$ (5,241,805)	\$ (3,814,995)
Depreciation	170,280	138,353
Amortization	1,173,004	1,253,170
Stock-based compensation	331,676	292,823
Non-cash interest expense	361,226	366,543
Intangible impairment	468,420	-
Goodwill impairment	1,759,601	-
Future income tax recovery	(945,000)	(1,437,000)
	<u>(1,922,598)</u>	<u>(3,201,106)</u>
Changes in non-cash components of working capital:		
Accounts receivable	(502,896)	(763,188)
Income taxes recoverable	12,195	44,404
Prepaid expenses	(69,831)	167,596
Other assets	69,442	(15,692)
Accounts payable and accrued liabilities	883,107	1,064,344
Deferred revenue	691,975	1,688,952
	<u>1,083,992</u>	<u>2,186,416</u>
	<u>(838,606)</u>	<u>(1,014,690)</u>
Investing activities		
Purchase of equipment	(46,072)	(90,218)
Purchase of land & building	(5,068,220)	-
Purchase of intangible asset	(10,234)	(35,242)
Acquisition of Businesses, net of cash acquired of \$1,170,507	(13,229,943)	-
	<u>(18,354,469)</u>	<u>(125,460)</u>
Financing activities		
Issuance of common stock	20,475,774	1,019,722
Advance of promissory note (Note 14)	1,300,000	-
Repayment of long-term debt	(600,000)	(600,000)
Capital lease payments	(20,742)	(5,674)
	<u>21,155,032</u>	<u>414,048</u>
Change in cash and short term deposits	\$ 1,961,957	\$ (726,102)
Cash and short term deposits, beginning of year	1,507,434	2,233,536
Cash and short term deposits, end of year	\$ 3,469,391	\$ 1,507,434
Cash and short term deposits consist of:		
Cash	\$ 3,469,391	\$ 1,507,434
Short term deposits	-	-
	<u>\$ 3,469,391</u>	<u>\$ 1,507,434</u>
Supplementary cash flow information:		
Interest paid	\$ 9,674	\$ 2,206
Interest received	\$ -	\$ 15,554
Supplementary disclosure related to non-cash activities		
Acquisition of equipment through capital lease (Note 4)	\$ 18,478	\$ 68,271

See accompanying notes to consolidated financial statements

ZOOMERMEDIA LIMITED
Consolidated Statements of Shareholders' Equity (Deficit)
For the years ended June 30, 2010 and 2009

	Common shares		Preference Shares		Warrants		Contributed Surplus		Retained Earnings (Deficit)	Total
	#	\$	#	\$	#	\$	#	\$	\$	\$
Balance, June 30, 2008	170,538,803	11,693,984	-	-	30,500,000	1,080,000	17,896,017	316,000	(599,859)	12,490,125
Exercise of stock options	197,222	27,000	-	-	-	-	(197,222)	(7,278)	-	19,722
Stock options issued during the year	-	-	-	-	-	-	1,847,059	-	-	-
Stock options expired during the year	-	-	-	-	-	-	(800,000)	-	-	-
Stock options forfeited during the year	-	-	-	-	-	-	(3,911,111)	-	-	-
Exercise of warrants	10,000,000	1,360,000	-	-	(10,000,000)	(360,000)	-	-	-	1,000,000
Expiration of warrants	-	-	-	-	(500,000)	-	-	-	-	-
Stock based compensation	-	-	-	-	-	-	-	292,823	-	292,823
Net loss	-	-	-	-	-	-	-	-	(3,814,995)	(3,814,995)
Balance, June 30, 2009	180,736,025	13,080,984	-	-	20,000,000	720,000	14,834,743	601,545	(4,414,854)	9,987,675
Exercise of stock options (Note 12)	350,000	48,635	-	-	-	-	(350,000)	(13,635)	-	35,000
Stock options issued during the year (Note 12)	-	-	-	-	-	-	8,000,000	-	-	-
Stock options expired during the year (Note 12)	-	-	-	-	-	-	(421,665)	-	-	-
Stock options forfeited during the year (Note 12)	-	-	-	-	-	-	(200,001)	-	-	-
Exercise of warrants (Note 12)	20,000,000	2,720,000	-	-	(20,000,000)	(720,000)	-	-	-	2,000,000
Issuance of common shares (Note 2, 12 & 14)	48,120,871	4,812,087	-	-	-	-	-	-	-	4,812,087
Issuance of series 1 class A preference shares (Note 2, 12 & 14)	-	-	131,974,099	13,197,410	-	-	-	-	-	13,197,410
Issuance of series 2 class A preference shares (Note 2, 12 & 14)	-	-	255,905,030	25,590,503	-	-	-	-	-	25,590,503
Stock based compensation	-	-	-	-	-	-	-	331,676	-	331,676
Costs of share issuance	-	(159,226)	-	-	-	-	-	-	-	(159,226)
Excess over carrying value of assets acquired (Note 2)	-	-	-	-	-	-	-	-	(2,635,951)	(2,635,951)
Net loss	-	-	-	-	-	-	-	-	(5,241,805)	(5,241,805)
Balance, June 30, 2010	249,206,896	20,502,480	387,879,129	38,787,913	-	-	21,863,077	919,586	(12,292,610)	47,917,369

1. NATURE OF OPERATIONS

ZoomerMedia Limited (“**Company**”) is a multimedia company that serves the 45plus “Zoomer” demographic through television, radio, magazine, internet and trade shows and conferences. The Company publishes Zoomer Magazine, the largest paid circulation magazine in Canada for the mature market. The Company provides online content targeting the 45plus age group through many properties, the key one being www.50plus.com. The Company has a trade show and conference division that conducts annual consumer shows directed to the 45plus age group and owns ideaCity, an annual Canadian conference also known as 'Canada's Premiere Meeting of the Minds'. The Company is also the exclusive provider of membership and marketing services to CARP, A New Vision of Aging for Canada (“**CARP**”).

2. BUSINESS ACQUISITION

On June 28, 2010 the Company completed a number of acquisitions. The details of the transactions include the acquisition of the following assets:

from VisionTV: Canada’s Faith Network/Réseau Religieux Canadien (“**VTV**”), Zoomer acquired (the “**Vision Assets**”):

- (a) the assets and undertakings of the business of Vision TV used exclusively and predominantly in connection with Vision TV’s ownership and operation of the Canadian specialty television programming service known as and operating under the name “VisionTV”;
- (b) all of the issued and outstanding shares in the capital of Christian Channel Inc. (“**CCI**”) owned by VTV, with the primary assets owned by CCI being the CRTC licenses for the television programming undertakings CHNU-TV Fraser Valley and CHIT-TV Winnipeg, also known respectively as “**Joytv 10**” and “**Joytv 11**”; and
- (c) all of the issued and outstanding shares in the capital of Vision TV Digital Inc. (“**VTVDI**”) owned by VTV, with the primary asset owned by VTVDI being its 47.22% ownership interest in ONE: The Body Mind and Spirit Channel Inc., being the holder of the CRTC license for an English language Category 1 specialty television service known as ONE: The Body Mind and Spirit Channel (“**ONE**”);

and from the Company’s President, Chief Executive Officer and majority shareholder, the Company acquired (the “**MZ Assets**”):

- (d) all of the issued and outstanding shares in the capital of MZ Media Inc. (“**MZMI**”), with the primary assets of MZMI being the CRTC licenses for the radio undertakings of CFMZ-FM, The New Classical 96.3 FM and CFMX-FM, The New Classical 103.1 FM and CFZM, Zoomer Radio AM740;
- (e) all of the issued and outstanding shares in the capital of MZTV Production and Distribution Inc. (“**MZTV P&D**”), with the primary assets of MZTV P&D being a television production and distribution business;
- (f) all of the issued and outstanding shares in the capital of Zoomer Management Limited (“**Zoomer2**”), with the primary assets of Zoomer2 being a management services operation providing creative, production, communications and financial administration services to a variety of companies;
- (g) all of the assets and undertakings of the business used exclusively and predominantly in connection with the operation of the annual Canadian conference known as and operating under the name “ideaCity”; and
- (h) all of the issued and outstanding shares of 2184864 Ontario Inc (“**2184864**”), with the primary assets of 2184864 being an office building situated on 2.6 acres of commercial property in downtown Toronto, known municipally as 64 Jefferson Avenue, Toronto, Ontario.

ZOOMERMEDIA LIMITED

Notes to Consolidated Financial Statements – June 30, 2010 and 2009

The Company purchased the Vision Assets for an aggregate purchase price of \$25 million. The purchase price was paid at closing through the payment to VTV of \$14 million in cash and \$11 million by way of a promissory note payable over 10 years at an interest rate of 7% per annum in blended monthly payments. Included in the purchase price are transaction costs of \$505,054 net of a closing adjustment of \$296,613.

The acquisitions were accounted for using the purchase method, with the results of operations consolidated with those of the Company effective June 28, 2010. Given the complexity associated with the valuations and the lateness in the year of the closing of the transaction the purchase price allocation is preliminary pending finalization of valuations of the net identifiable assets acquired and liabilities assumed. The actual fair values of the assets and liabilities assumed will be determined as of the date of the acquisition and may differ materially from the amounts disclosed below. In addition, working capital estimates at closing will be adjusted for actual working capital acquired based on the purchase and sale agreement. The preliminary estimated values of the assets acquired and liabilities assumed in the Vision Assets acquisition are as follows:

	<u>Vision Assets</u>
Purchase price	\$25,208,441
Current assets	\$ 6,954,270
PP&E	5,827,880
Intangible assets - indefinite lives	14,608,165
Intangible assets - definite lives	4,224,875
Current liabilities	(7,132,338)
Liabilities	(1,311,857)
Non-controlling interest	<u>(364,445)</u>
Preliminary fair value of net assets acquired	\$22,806,550
Goodwill	<u><u>\$ 2,401,891</u></u>

Included in current liabilities are assumed liabilities related to severance of \$605,322 related to a restructuring program which was put in place at the time of the acquisition. These amounts are expected to be paid over the next 14 months.

The Company acquired the MZ Assets for an aggregate purchase price of \$30 million. The purchase price was paid at closing through the issuance to the President and Chief Executive Officer of the Company and Olympus Management Limited (“**OML**”), a company controlled by the President and Chief Executive Officer of the Company, of 250,000,000 non-voting Series 2 Class A Preference Shares (the “**Series 2 Shares**”), all issued at a price of \$0.10 per share, and cash consideration of \$5,002,255. Contemporaneously, at the time of closing, OML exercised warrants to acquire 20 million common shares of the Company at a price of \$0.10 per share (an aggregate of \$2 million) and OML subscribed by way of private placement for 4,094,970 common shares of the Company and 5,905,030 Series 2 Shares at a price of \$0.10 per share (an aggregate of \$1 million).

ZOOMERMEDIA LIMITED

Notes to Consolidated Financial Statements – June 30, 2010 and 2009

The MZ assets were recorded at carrying value of the amounts recorded at the date of the acquisition as the transaction was with a related party, the President and Chief Executive of the Company. As the consideration for the change in ownership interests was not supported by independent evidence, the difference between the carrying amount and the consideration of \$30 million was debited to deficit. The results of operations were consolidated with those of the Company effective June 28, 2010.

	<u>MZ Assets</u>
Purchase price	<u>\$30,260,228</u>
Current assets	\$ 3,788,081
PP&E	16,744,390
Intangible assets - indefinite lives	14,747,485
Intangible assets - definite lives	148,112
Goodwill	5,755,248
Current liabilities	(1,725,295)
Long-term debt	(10,347,223)
Other liabilities	<u>(1,486,522)</u>
Carrying value of net assets acquired	\$27,624,277
Excess over carrying value of assets acquired	<u><u>\$ 2,635,951</u></u>

The impact of the acquisition on the statements of loss, comprehensive loss and deficit is not considered material from the closing date of June 28, 2010 to the year-end date of June 30, 2010.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting Principles

The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”) and except where noted below, their basis of application is consistent with that of the previous year.

(b) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned except for ONE, which is 47.22% owned by the Company. ONE is consolidated, as the Company also has the right to vote the shares of certain minority shareholders. All intercompany transactions and balances have been eliminated on consolidation.

(c) Cash and Short Term Deposits

Cash and short term deposits consist of cash balances and short term investment certificates with original maturities of three months or less.

(d) Property & Equipment

Equipment is recorded at cost and amortized over its estimated useful life using the following bases and annual rates:

Office equipment	- 20%, declining balance basis
Computer hardware	- 40%, declining balance basis
Leasehold improvements	- 5 years, straight-line basis
Equipment under capital lease	- 5 years, straight-line basis

(e) Intangible Assets

Intangible assets, which include royalty stream rights, broadcast licenses, program rights, computer software and website domain names are recorded at cost at the date of acquisition and are amortized over the estimated useful life of these assets. Intangible assets with definite lives are tested for impairment in accordance with the policy for impairment of long lived assets as noted in (g) below.

(i) Royalty Stream Rights

Royalty stream rights are certain marketing rights and licensing revenue derived from the CARP name which has a term expiring December 31, 2009. They are recorded at cost and are amortized on a straight-line basis over 15 years which represents the estimated life of the underlying revenue stream.

(ii) Broadcast Licenses

Broadcast licenses represent the broadcasting rights and terms granted by the CRTC. They are recorded at cost which, for business acquisitions, represents the fair value at the date of acquisition. Fair value is determined using the Greenfield method of valuing the license.

Broadcast licenses are not amortized as they are considered to have an indefinite life based on the Company's intent and ability to renew the license without substantial cost or material modification to the existing terms and conditions of the license. Broadcast licenses are tested for impairment annually, or more frequently if events or circumstances indicate that it is more likely than not that their value might be impaired. The impairment test for broadcast licenses consists of comparing their carrying amount to their fair value. An impairment charge, if any, representing the excess of the carrying amount over the fair value, is then recognised on the statement of earnings. The Company uses the discounted future cash flows method to assess the fair value of its broadcast licenses.

(iii) Program Rights

Program rights represent contract rights acquired from third parties to broadcast television programs and feature films. The assets and liabilities related to these rights are recorded when the license period has begun and all of the following conditions have been met: (i) the cost of the rights is known or reasonably determinable; (ii) the program material is accepted by the Company in accordance with the license agreement; and (iii) the material is available to the Company for airing. These costs are amortized over the estimated period of use or to a maximum of the contracted exhibition period as the programs are aired.

Long-term liabilities related to these rights are recorded at the net present values of future cash flows, using an appropriate discount rate.

(iv) Computer Software and Domain Names

Computer software and domain names are recorded at cost and are amortized over their estimated useful lives of 3 years and 5 years respectively.

(f) Goodwill

Acquisitions are accounted for using the purchase method whereby identifiable assets and liabilities acquired are recorded at their estimated fair values as of the date of acquisition and any excess of the purchase price over such fair value is recorded as goodwill. Goodwill is identified and allocated to reporting units by preparing estimates of the fair value of each reporting unit and comparing this amount to the estimated fair value of assets and liabilities in the reporting unit. Goodwill is not amortized.

The Company evaluates, on at least an annual basis, the carrying amount of goodwill to determine whether current events and circumstances indicate that such carrying amount may no longer be recoverable. To accomplish this, the Company compares the estimated fair value of its reporting units to their carrying amounts. If the carrying value of a reporting unit exceeds its estimated fair value, the Company compares the implied fair value of the reporting unit's goodwill to its carrying amount, and any excess of the carrying value over the estimated fair value is charged to income. Assumptions underlying fair value estimates are subject to significant risks and uncertainties and include free cash flow projections, terminal growth rates and discount rates.

(g) Impairment of Long-Lived Assets

The Company reviews, when circumstances indicate it to be necessary, the carrying values of its long-lived assets by comparing the carrying amount of the asset or group of assets to the expected future undiscounted cash flows to be generated by the asset or group of assets. An impairment loss is recognized when the carrying amount of an asset or group of assets held for use exceeds the sum of the undiscounted cash flows expected from its use and eventual disposition. The impairment loss is measured as the amount by which the asset carrying amount exceeds its estimated fair value, based on quoted market prices, when available, or on the estimated present value of future cash flows.

(h) Leases

Leases have been classified as either capital or operating. A lease which transfers substantially all of the benefits and risks incidental to the ownership of property is accounted for as if it were an acquisition of an asset and the incurrence of an obligation at the inception of the lease. All other leases are accounted for as operating leases wherein rental payments are charged to earnings as incurred. Deferred lease liability represents funds provided by the landlord of one of the Company's facilities for leasehold improvements which are being repaid as part of monthly rent over the period of the lease.

(i) Government Grants and Subsidies

Government grants and subsidies are reflected as a reduction of the cost of the asset or reduction of the expense to which they relate and are recognised when there is reasonable assurance that the Company has complied and will continue to comply with all conditions for receipt of the government assistance (See Note 16).

(j) Revenue RecognitionMagazine advertising revenue

Magazine advertising revenue, net of agency commission, where applicable, is recognised when the magazine in which the advertisements are placed is published and distributed.

Magazine subscription revenue

Magazine subscription revenue is based upon delivery of each issue of the magazine over the term of the subscription period.

Deferred revenue

Revenue that is received in advance of the service being delivered is recognised as deferred revenue.

Royalty revenue

Royalty revenue is comprised of licensing fees from the CARP name and is calculated as a percentage of the volume of business conducted by the licensee in a given period. Royalty revenue is recognised in the period in which it is earned from each licensee.

Website revenue

Website revenue is primarily comprised of advertising and user maintenance fees. Website revenue is recognised when the related services are provided to customers. Revenue related to advertising and sponsorship exclusivity agreements is recognised over the term of the agreement.

Show and conference revenue

Show and conference revenue is primarily comprised of sponsorships and booth rentals earned from the establishment of a 2 day consumer show during the 2010 fiscal year. Revenue is recognised when the show is complete.

Sundry revenue

Sundry revenue is mainly comprised of interest earned and government grants and subsidies, which are described in Note 16 and are recognised in the period in which they are earned.

(k) Income Taxes

The Company accounts for income taxes under the asset and liability method that requires the recognition of future tax assets and liabilities for expected future tax consequences attributable to temporary differences between the carrying amounts and tax bases of assets and liabilities. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to the taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company provides a valuation allowance on net future tax assets when it is more likely than not that such assets will not be realized. Tax reserves are established for uncertain tax positions based on management's best estimates

(l) Stock Based Compensation

The Company has a stock based compensation plan, which is described in Note 12(d). The Company accounts for all stock based plans using the fair value method. Under the fair value method, compensation

cost attributable to options granted is measured at fair value at the grant date and amortized on a straight line basis over the vesting period. No compensation cost is recognised for options that employees forfeit if they fail to satisfy the service requirement for vesting.

(m) Net Loss per Share

Basic net loss per share is computed by dividing the net loss by the weighted average number of shares outstanding during the year. The treasury stock method is used to calculate diluted net loss per share. Diluted net loss per share is similar to basic net loss per share, except that the denominator is increased to include the number of additional common shares that would have been outstanding assuming that warrants and stock options with an average market price for the period greater than their exercise price are exercised and the proceeds used to repurchase common shares. The diluted net loss per share calculation excludes any potential conversion of options and warrants that would increase net income per share or decrease net loss per share.

(n) Estimates and Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Items requiring significant estimates and subject to measurement uncertainty include provision for allowance for doubtful accounts receivable, the carrying values of intangible assets, goodwill, long-term debt, future income taxes, and the valuation of warrants and stock options. By their nature, these estimates are subject to measurement uncertainty. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in income in the period in which they become known.

(o) Financial Instruments

Financial instruments are classified into one of the following five categories: held-for-trading financial assets or liabilities, held-to-maturity financial assets, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost using the effective interest method. Transaction costs are included in the carrying value of the financial instrument.

Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in income for the period in which they arise; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income.

The Company's cash and short term deposits are classified as held-for-trading.

The Company's accounts receivables are classified as loans and receivables.

The Company's accounts payable and accrued liabilities, loan payable and obligations under capital lease are classified as other financial liabilities. After their initial fair value measurement, they are measured at amortized cost using the effective interest method.

(p) Accounting Standards Issued and Implemented

During the year ended June 30, 2010 the Company adopted the following new Canadian Institute of Chartered Accountants ("CICA") Handbook Standards:

(i) Goodwill and Intangible Assets:

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. The new Sections are applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company adopted these new standards for its fiscal year beginning July 1, 2009. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The impact resulted in a reclassification of amounts on the balance sheet to intangibles.

(q) Accounting Standards Issued but not yet Implemented:**(i) Business Combinations**

CICA Handbook Section 1582 “Business Combinations”, replaces Section 1581 - “Business Combinations” and provides the Canadian equivalent to International Financial Reporting Standards (“IFRS”) 3 - Business Combinations. This applies to a transaction in which the acquirer obtains control of one or more businesses. Most assets acquired and liabilities assumed, including contingent liabilities will be measured at fair value. Any interest in the acquiree owned prior to obtaining control will be remeasured at fair value at the acquisition date, eliminating the need for guidance on step acquisitions. Additionally, a bargain purchase will result in recognition of a gain and acquisition costs must be expensed. This section shall be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Early adoption is permitted. The Company is currently evaluating the impact of the adoption of this new Section.

(ii) Consolidations and Non-controlling Interests

In January 2009, The Canadian Institute of Chartered Accountants (“CICA”) issued Handbook Section 1601 “Consolidated Financial Statements” and 1602 “Non-controlling Interests”. These sections replace the former Handbook Section 1600, “Consolidated Financial Statements”, and establish a new section for accounting for a non-controlling interest in a subsidiary. Handbook Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011. The Company is currently evaluating the impact of the adoption of this new Section.

(iii) Multiple Deliverable Revenue Arrangements

In December 2009, the CICA issued EIC 175, Multiple Deliverable Revenue Arrangements, replacing EIC 142, Revenue Arrangements with Multiple Deliverables. This abstract was amended to: (i) provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and the consideration allocated; (ii) require, in situations where a vendor does not have vendor-specific objective evidence (“VSOE”) or third party evidence of selling price, that the entity allocate revenue in an arrangement using estimated selling prices of deliverables; (iii) eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method; and (iv) require expanded qualitative and quantitative disclosures regarding significant judgments made in applying this guidance. The accounting changes summarized in EIC 175 are effective for fiscal years beginning on or after January 1, 2011, with early adoption permitted. The Company is currently assessing the future impact of these amendments on its consolidated financial statements and has not yet determined the timing and method of their adoption

(r) Comparative Balances

Certain comparative balances for 2009 have been reclassified to conform with presentation adopted for 2010.

ZOOMERMEDIA LIMITED**Notes to Consolidated Financial Statements – June 30, 2010 and 2009****4. PROPERTY AND EQUIPMENT**

Details of the Company's property and equipment as of June 30, 2010 are as follows:

	2010		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Land and Buildings	\$ 15,888,415	\$ -	\$ 15,888,415
Broadcast equipment	2,822,307	-	2,822,307
Equipment and vehicles	3,905,349	(142,512)	3,762,837
Computer hardware	769,165	(455,321)	313,844
Leasehold improvements	243,169	(66,528)	176,641
	<u>\$ 23,628,405</u>	<u>\$ (664,361)</u>	<u>\$ 22,964,044</u>

Details of the Company's property and equipment as of June 30, 2009 are as follows:

	2009		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Equipment and vehicles	\$ 318,651	\$ (98,476)	\$ 220,175
Computer hardware	557,987	(374,927)	183,060
Leasehold improvements	148,009	(36,927)	111,082
	<u>\$ 1,024,647</u>	<u>\$ (510,330)</u>	<u>\$ 514,317</u>

Included in computer hardware are items under capital leases with a cost of \$153,077 for 2010 (\$68,271 – 2009). Accumulated amortization for items under capital lease is \$27,138 for 2010 (\$13,654 – 2009).

5. OTHER ASSETS

Other assets are comprised of the following:

	<u>2010</u>	<u>2009</u>
Prepaid transaction costs	-	69,442
	<u>\$ -</u>	<u>\$ 69,442</u>

ZOOMERMEDIA LIMITED**Notes to Consolidated Financial Statements – June 30, 2010 and 2009**

6. INTANGIBLE ASSETS

Details of the Company's intangible assets as of June 30, 2010 are as follows:

	2010		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Broadcast licenses	\$ 29,355,650	\$ -	\$ 29,355,650
Program rights	15,244,841	-	15,244,841
Royalty stream rights	12,650,072	2,108,345	10,541,727
Customer Relationships	773,500	773,500	-
Content	390,000	390,000	-
Computer software	282,197	226,633	55,564
Domain Names	185,242	87,334	97,908
Technology	100,000	100,000	-
	<u>\$ 58,981,502</u>	<u>\$ 3,685,812</u>	<u>\$ 55,295,690</u>

At the end of the fiscal 2010 the Company determined that the performance of the websites required an impairment of intangible assets and goodwill. The Company has recorded impairment of intangible assets of \$468,420 and impairment to goodwill of \$1,759,601.

Details of the Company's intangible assets as of June 30, 2009 are as follows:

	2009		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Royalty stream rights	\$ 12,650,072	\$ 1,357,708	\$ 11,292,364
Customer Relationships	773,500	232,050	541,450
Content	390,000	195,000	195,000
Computer software	224,514	148,384	76,130
Domain Names	185,242	49,998	135,244
Technology	100,000	45,000	55,000
	<u>\$ 14,323,328</u>	<u>\$ 2,028,140</u>	<u>\$ 12,295,188</u>

ZOOMERMEDIA LIMITED**Notes to Consolidated Financial Statements – June 30, 2010 and 2009****7. DEFERRED REVENUE**

	<u>2010</u>	<u>2009</u>
Magazine subscriptions revenue	\$ 1,876,121	\$ 1,795,238
Royalty revenue (i)	1,001,984	1,121,032
Canada periodical fund (ii)	577,885	-
Show and conference	117,965	93,828
Advertising revenue	<u>352,930</u>	<u>30,493</u>
	3,926,885	3,040,591
Less: Current portion	<u>(3,151,000)</u>	<u>(1,305,126)</u>
	<u>\$ 775,885</u>	<u>\$ 1,735,465</u>

- (i) Pursuant to an affinity agreement entered into with MBNA Canada Bank (“**MBNA**”), effective December 1, 2008, the Company received \$1,250,000 from MBNA as an advance against future royalties (“**Advanced Amount**”) to be earned over the ten year period ending November 30, 2018. All royalties accrued in each contract year shall be applied against the Advanced Amount to a maximum of \$125,000. Any royalties accrued in a contract year in excess of \$125,000 will be payable to the Company. The Company is guaranteed to earn royalties equal to the Advanced Amount by the end of the ten-year contract term. If the agreement is terminated by the Company for whatever reason other than material breach by MBNA, the unearned balance would be repayable.
- (ii) On April 1, 2010 the department of Canadian Heritage of the Government of Canada replaced both the Canada Magazine Fund and the Periodical Assistance Program for Canadian magazines with the Canada Periodical Fund. The Company qualified for funding under the Canada Periodical Fund and received \$866,827. The Company is recording a reduction of operating expense as each issue of the magazine is published. The magazine is published nine times per year.

8. LONG-TERM DEBT

	<u>2010</u>	<u>2009</u>
Note payable - Megadak Enterprises (i)	\$ 2,943,166	\$ 3,303,638
Note payable - Vision charity (ii)	11,000,000	-
Mortgage - First National Financial (iii)	6,197,175	-
Note payable - Davpart (iii)	3,970,881	-
Toronto-Dominion Bank (iv)	<u>265,167</u>	<u>-</u>
	24,376,389	3,303,638
Less: Current portion	<u>(1,621,310)</u>	<u>(360,472)</u>
	<u>\$ 22,755,079</u>	<u>\$ 2,943,166</u>

- (i) The Company acquired certain marketing rights and royalty revenues from Megadak Enterprises (“**Megadak**”). In exchange the Company agreed to pay Megadak \$50,000 per month for 115 months. The loan is unsecured and non-interest bearing. The fair value of the loan was determined using a discount rate of 11% and the Company recorded non-cash interest expense of \$339,528 (2009 - \$366,543) during the year ended June 30, 2010.
- (ii) As part of the acquisition of the Vision Assets (Note 2) the Company agreed to pay \$11 million to VTV by way of a promissory note payable, secured by a general security agreement covering the assets of the Company excluding the property located at 64 Jefferson Avenue, over 10 years at an interest rate of 7% per annum in blended monthly payments.

ZOOMERMEDIA LIMITED**Notes to Consolidated Financial Statements – June 30, 2010 and 2009**

(iii) As part of the acquisition of the property at 64 Jefferson Avenue (Note 2(h)) the Company assumed a mortgage held by First National Financial LP, secured by a first mortgage on the land and building having a carrying value of \$15,236,276 at June 30, 2010 with remaining principle plus accrued interest of \$6,197,175 payable over 20 years, 6 months at an interest rate of 6.47%. The current 5 year term ends June 1, 2014.

The Company also assumed an unsecured promissory note payable to Davpart Inc., a former owner of the building, with remaining principal plus accrued interest of \$3,970,881 payable over 20 years at an interest rate of 7%. The current 5 year term ends December 1, 2013.

(iv) As part of the acquisition of MZMI (Note 2(d)) the Company assumed an equipment loan held by Toronto-Dominion Bank with remaining principle of \$265,167 payable at \$7,167 per month over 37 months plus interest at prime plus 0.50%.

9. OTHER LIABILITIES

	<u>2010</u>	<u>2009</u>
Program rights (i)	\$ 10,920,968	\$ -
CRTC license requirements (ii)	1,008,647	-
Other	540,650	-
	<u>12,470,265</u>	<u>-</u>
Less: Current portion	(5,418,143)	-
	<u>\$ 7,052,122</u>	<u>\$ -</u>

(i) During the year the Company acquired rights to programming. In exchange the Company has committed to pay \$12 million, starting July 1, 2010, over three years for the acquired rights. The fair value of this liability has been discounted using an interest rate of 7%.

(ii) The Company is committed to pay amounts to third parties related to the transfer of radio broadcast licenses on change of control.

The current portion of these other liabilities is included in accounts payable and accrued liabilities on the balance sheet.

10. INCOME TAXES

Income tax (recovery) varies from the amounts that would be computed by applying the statutory income tax rate to income before income taxes as follows:

	<u>2010</u>	<u>2009</u>
Statutory income tax rate	32.5%	33.1%
Expected income tax (recovery)	\$ (2,011,000)	\$ (1,731,000)
Expiry of non-capital losses	-	158,000
Impairment of goodwill	572,000	-
Stock based compensation not deductible for income tax purposes	108,000	97,000
Impact of future changes in enacted income tax rates	366,000	126,069
Permanent differences not deductible for income tax purposes	2,000	3,000
Change in valuation allowance	(11,000)	(75,069)
Other	29,000	(15,000)
Income tax recovery	<u>\$ (945,000)</u>	<u>\$ (1,437,000)</u>

ZOOMERMEDIA LIMITED**Notes to Consolidated Financial Statements – June 30, 2010 and 2009**

The tax effects of temporary differences that give rise to significant portions of the future income tax assets and liabilities at June 30 are presented below:

	<u>2010</u>	<u>2009</u>
Future Income Tax Assets		
Non capital loss carryforwards	\$ 3,878,000	\$ 1,637,000
Net capital loss carryforwards	12,000	13,000
Transaction and stock issuance costs	79,000	79,000
Equipment	1,543,000	117,000
Other	-	4,000
	<u>5,512,000</u>	<u>1,850,000</u>
Valuation allowance	<u>(2,518,000)</u>	<u>(49,000)</u>
	<u>2,994,000</u>	<u>1,801,000</u>
Future Income Tax Liabilities		
Royalty stream rights and Intangible assets	2,772,000	1,524,000
Equipment	114,000	-
Loan payable	349,000	477,000
	<u>3,235,000</u>	<u>2,001,000</u>
Net Future Income Tax Asset	<u>745,000</u>	<u>-</u>
Net Future Income Tax Liabilities	<u>\$ 986,000</u>	<u>\$ 200,000</u>

In assessing the realizability of future tax assets, management considers whether it is more likely than not that some portion or all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers projected future taxable income, uncertainties related to the industry in which the Company operates and tax planning strategies in making this assessment.

As at June 30, 2010, the Company has approximately \$15,516,000 of non-capital losses available that may be used to reduce future years' taxable income. The potential tax benefits of certain of these losses have been reflected in the accounts of the Company. These losses expire over the following fiscal years:

2010	\$ 140,000
2013	842,000
2014	64,000
2025	842,000
2026	1,233,000
2027	1,857,000
2028	3,663,000
2029	4,538,000
2030	2,337,000
	<u>\$ 15,516,000</u>

11. CAPITAL LEASE OBLIGATIONS

The Company has assumed various capital lease obligations with respect to certain computer equipment expiring in 2015. The monthly lease payments consist of principal repayment and interest. The minimum payments under all agreements are:

2011	\$ 59,936
2012	58,628
2013	22,086
2014	11,705
2015	6,475
	<u>\$ 158,830</u>
Less: imputed interest	<u>(30,294)</u>
	128,536
Less: current portion	<u>(40,141)</u>
	<u>\$ 88,395</u>

12. SHARE CAPITAL

(a) Authorized

Unlimited preference shares that may be issued in one or more series by the Board of Directors. Preference shares are non-voting, are convertible into common shares and have rights to dividends. As at June 30, 2010 the Company had 387,879,129 preference shares outstanding (2009 – nil).

Unlimited number of common shares. As at June 30, 2010 the Company had 249,206,896 common shares outstanding (2009 – 180,736,025).

(b) Issued upon Financing and Acquisition

On June 28, 2010 the Company completed a private placement with Fairfax Financial Holdings Limited (“**Fairfax**”) pursuant to which Fairfax purchased 44,025,901 common shares and 131,974,099 non-voting Series 1 Class A Preference Shares (the “**Series 1 Shares**”). All of the shares were issued by the Company at an issue price of \$0.10 per share for an aggregate price of \$17.6 million.

As part of the acquisition of the MZ Assets the Company issued 250,000,000 Series 2 Shares, at a price of \$0.10 per share for an aggregate price of \$30 million to OML, a company controlled by the President and Chief Executive Officer of the Company (Note 2).

(c) Issued upon Exercise of Warrants and Options

(i) During the year ended June 30, 2010, 20,000,000 (2009 – 10,000,000) warrants were exercised for net proceeds of \$2,000,000 (2009 – \$1,000,000). The attributed value of the warrants in the amount of \$720,000 (2009 – \$360,000) was reallocated from warrants to capital stock when the warrants were exercised.

(ii) During the year ended June 30, 2010, 350,000 (2009 – 197,222) stock options were exercised for net proceeds of \$35,000 (2009 – \$19,722). The attributed value of the stock options in the amount of \$13,635 (2009 – \$7,278) was reallocated from contributed surplus to capital stock when the options were exercised.

(d) Stock Options

The Company has a stock option plan for the benefit of employees and directors of the Company and certain key service providers to the Company. Under the plan the Company is authorized to issue stock options up to 10% of the shares issued and outstanding at the time of the grant.

The options either vest on issuance or vest one-third upon issuance and one-third in each of the following two years, or one-third in each of the following three years.

ZOOMERMEDIA LIMITED**Notes to Consolidated Financial Statements – June 30, 2010 and 2009**

For the years ended June 30, 2010 and 2009, the value ascribed to unexercised options recorded in contributed surplus in shareholders' equity is as follows:

	<u>2010</u>	<u>2009</u>
Balance - beginning of year	\$ 601,545	\$ 316,000
Options exercised during the year	(13,635)	(7,278)
Options granted during the year	331,676	292,823
Balance - end of year	<u>\$ 919,586</u>	<u>\$ 601,545</u>

Details of stock option transactions are as follows:

	<u>2010</u>		<u>2009</u>	
	<u>Number of</u>	<u>Weighted</u>	<u>Number of</u>	<u>Weighted</u>
	<u>Options</u>	<u>Average</u>	<u>Options</u>	<u>Average</u>
		<u>Exercise Price</u>		<u>Exercise Price</u>
Balance, beginning of year	14,834,743	\$ 0.13	17,896,017	\$ 0.13
Issued	8,000,000	0.16	1,847,059	0.14
Exercised	(350,000)	0.10	(197,222)	0.10
Expired	(421,665)	0.19	(800,000)	0.10
Forfeited	(200,001)	0.24	(3,911,111)	0.12
Balance, end of year	<u>21,863,077</u>	<u>\$ 0.14</u>	<u>14,834,743</u>	<u>\$ 0.13</u>

The fair value of the options granted during the year has been estimated using the Black-Scholes Option Pricing Model based on the following assumptions:

	<u>2010</u>	<u>2009</u>
Risk-free interest rate	2.41% - 2.56%	2.42% - 2.96%
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	66.3% - 145.0%	60.0% - 62.9%
Expected life of stock options	5.00 years	5.00 years
Weighted-average grant date fair value of stock options	\$0.11	\$0.06

	<u>Options Outstanding</u>		<u>Options Exercisable</u>	
	<u>as at June 30, 2010</u>		<u>as at June 30, 2010</u>	
	<u>Number</u>	<u>Weighted</u>	<u>Number</u>	<u>Weighted</u>
	<u>Outstanding</u>	<u>Average</u>	<u>Exercisable</u>	<u>Average</u>
<u>Exercise Price</u>		<u>Remaining</u>		<u>Exercise Price</u>
		<u>Life (years)</u>		
\$0.10 - \$0.15	18,166,014	4.4	9,243,801	\$ 0.11
\$0.16 - \$0.20	3,147,063	7.1	49,020	\$ 0.17
\$0.26 - \$0.30	200,000	2.9	133,333	\$ 0.28
\$0.31 - \$0.375	350,000	2.7	233,333	\$ 0.38
	<u>21,863,077</u>	<u>3.4</u>	<u>9,659,487</u>	<u>\$ 0.11</u>

13. BASIC AND DILUTED LOSS PER SHARE

For the years ended June 30, 2010 and 2009, the diluted net loss per share is the same as the basic net loss per share because the determination of the diluted weighted average number of shares outstanding does not include the effect of 21,863,077 (2009 – 14,834,743) outstanding stock options or nil (2009 – 20,000,000) outstanding warrants since they are anti-dilutive.

14. RELATED PARTY TRANSACTIONS

- (a) The Company publishes a magazine called ZOOMER (formerly called “CARP, the magazine”) which is directed to adults 45 years of age and up and whose subscribers are primarily members of CARP. The majority shareholder of the Company, who is also the President and Chief Executive Officer and a director of the Company, is also the President of CARP. During the year ended June 30, 2010, the Company paid CARP subscriber list maintenance fees (included in operating expenses) of \$nil (2009 - \$28,416), royalties of \$500,000 (2008 – \$600,000) and received from CARP magazine advertising revenues of \$nil (2009 - \$117,517), commissions of \$nil (2009 - \$6,775), computer maintenance services fees of \$39,600 (2009 - \$39,600) and accounting services (netted against administration expenses) of \$42,000 (2009 - \$12,000). Included in accounts receivable is a receivable from CARP as at June 30, 2010 of \$147,420 and included in accounts payable is a payable to CARP of \$350,000 (2009 net receivable of - \$68,227). These balances are unsecured, non-interest bearing, with no fixed terms of repayment.
- (b) During the year ended June 30, 2010, the Company paid management fees of \$275,000 (2009 - \$270,333) to OML (see Note 2), the majority shareholder of the Company, for the provision of executive management services. The Company also charged computer maintenance service fees of \$10,800 (2009 - \$10,800) to OML. Included in accounts receivable is a receivable from OML as at June 30, 2010 of \$22,101 and included in accounts payable and accrued liabilities is a payable to OML as at June 30, 2010 of \$107,485 (2009 net payable of - \$80,387). These balances are unsecured, non-interest bearing, with no fixed terms of payment.
- (c) During the year ended June 30, 2010, the Company received \$1,300,000 from MZMI in exchange for a series of promissory notes. The notes were unsecured, payable on demand at an interest rate of 7%. Prior to the acquisition of MZMI as part of the acquisition of the MZ Assets the Company had accrued \$21,698 of interest. Upon the consolidation of the MZ Assets the amounts were eliminated.
- (d) On June 28, 2010 the Company acquired the MZ Assets from the President and Chief Executive Officer of the Company (Note 2). The Company acquired the MZ Assets for an aggregate purchase price of \$30 million. The purchase price was paid at closing through the issuance to the President and Chief Executive Officer of the Company and OML of 250,000,000 Series 2 Shares, all issued at a price of \$0.10 per share, and cash consideration of \$5,002,255. Contemporaneously, at the time of closing, OML exercised warrants to acquire 20 million common shares of the Company at a price of \$0.10 per share (an aggregate of \$2 million) and OML subscribed by way of private placement for 4,094,970 common shares of the Company and 5,905,030 Series 2 Shares at a price of \$0.10 per share (an aggregate of \$1 million).
- (e) On June 28, 2010 the Company completed a private placement with Fairfax pursuant to which Fairfax purchased 44,025,901 common shares and 131,974,099 Series 1 Shares. All of the shares were issued by the Company at an issue price of \$0.10 per share for an aggregate price of \$17.6 million. Included in accounts receivable is a receivable from The McLennan Insurance Group Inc, a subsidiary of Fairfax, of \$38,515.

Those transactions noted in a) and b) are in the normal course of operations. All the transaction above are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

15. FINANCIAL INSTRUMENTS
(a) Financial Instruments

The carrying values of financial instruments are as follows.

	2010				
	Held for trading	Loans and receivables	Other financial liabilities	Non-financial	Total carrying amount
Cash and short term deposits	\$ 3,469,391	\$ -	\$ -	\$ -	\$ 3,469,391
Accounts receivable	-	10,116,912	-	-	10,116,912
Other non-financial assets	-	-	-	87,744,493	87,744,493
Total assets	\$ 3,469,391	\$ 10,116,912	\$ -	\$ 87,744,493	\$ 101,330,796
Accounts payable and accrued liabilities	-	-	11,093,768	4,714,075	15,807,843
Other liabilities including current portion	-	-	11,461,618	1,403,132	12,864,750
Long-term debt including current portion	-	-	24,376,389	-	24,376,389
Total Liabilities	\$ -	\$ -	\$ 46,931,775	\$ 6,117,207	\$ 53,048,982

	2009				
	Held for trading	Loans and receivables	Other financial liabilities	Non-financial	Total carrying amount
Cash and short term deposits	\$ 1,507,434	\$ -	\$ -	\$ -	\$ 1,507,434
Accounts receivable	-	1,848,413	-	-	1,848,413
Other non-financial assets	-	-	-	15,019,800	15,019,800
Total assets	\$ 1,507,434	\$ 1,848,413	\$ -	\$ 15,019,800	\$ 18,375,647
Accounts payable and accrued liabilities	-	-	1,781,146	-	1,781,146
Other liabilities including current	-	-	-	3,303,188	3,303,188
Long-term debt including current	-	-	3,303,638	-	3,303,638
Total Liabilities	\$ -	\$ -	\$ 5,084,784	\$ 3,303,188	\$ 8,387,972

i) Fair Value Estimation

The carrying amounts of the Company's cash and short term deposits, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to their short-term nature.

The fair value of long-term debt was determined by discounting future cash liabilities at current market rates of interest available to the Company for certain long-term debts that do not possess market interest rates. The fair value of long-term debt that is at market interest rates approximates its carrying amount.

Cash and short term deposits are considered to be Level 1 in the fair value hierarchy.

The fair value of financial instruments included in Level 1 is determined by reference to quoted prices in active markets for identical assets and liabilities. Financial instruments in Level 2 include valuations using inputs based on observable market data, either directly or indirectly other than the quoted prices. Level 3 valuations are based on inputs that are not based on observable market data.

There were no financial instruments categorized in Level 2 or Level 3 as at June 30, 2010.

ii) Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of cash and short term deposits, and accounts receivable. Cash and short term deposits consist of deposits with major commercial banks and accordingly credit risk is minimal. With respect to accounts receivable, the Company performs periodic credit evaluations of the financial condition of its customers and typically does not require collateral from them. Management assesses the need for allowances for the potential credit losses by considering the credit risk of specific customers, historical trends and other information.

Trade and other outstanding receivables are impaired when there is evidence that collection is unlikely. The factors that are considered in determining if collection is unlikely include the aging of the balance owing, the customer's financial condition and history of collections, whether the customer is in bankruptcy, under administration or the payments are in dispute, and general business conditions. At June 30, 2010, the Company had accounts receivable of \$10,116,912 (2009 – \$1,848,413), net of an allowance for doubtful accounts of \$641,309 (2009 – \$72,178), which adequately reflects the Company's credit risk. At June 30, 2010, \$1,503,595 (2009 – \$80,426) of accounts receivable is considered past due, which is defined as amounts outstanding beyond normal credit terms and conditions for respective customers, but not impaired. The aging of accounts receivable past due is as follows:

	<u>2010</u>	<u>2009</u>
Trade accounts receivable		
Current	\$ 2,379,229	\$ 598,354
30 - 90 days past due	3,172,070	354,952
Over 90 days past due	1,503,595	80,426
	<u>7,054,894</u>	<u>1,033,732</u>
Other receivables	3,703,327	886,859
	<u>10,758,221</u>	<u>1,920,591</u>
Less: Allowance for doubtful accounts	(641,309)	(72,178)
	<u>\$ 10,116,912</u>	<u>\$ 1,848,413</u>

The Company believes that its allowance for doubtful accounts is sufficient to reflect the related credit risk based on the history of collections. The activity of the allowance for doubtful accounts for the period is as follows:

	<u>2010</u>	<u>2009</u>
Allowance for doubtful accounts - beginning of year	\$ (72,178)	\$ (47,357)
Bad debts expense	15,794	13,193
Recovery (provision) for doubtful accounts	22,757	(38,014)
Provision for doubtful accounts - acquired	(607,682)	-
Allowance for doubtful accounts - end of year	<u>(641,309)</u>	<u>(72,178)</u>

iii) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure, as outlined in Note 17. It also manages liquidity risk by monitoring actual and projected cash flows, taking into account the Company's revenues and receipts and matching the maturity profile of financial assets and liabilities. The Board of Directors reviews and approves the Company's annual operating and capital budgets, as well as any material transactions out of the ordinary course of business, including proposals on acquisitions and other major investments.

ZOOMERMEDIA LIMITED

Notes to Consolidated Financial Statements – June 30, 2010 and 2009

The following table reflects the undiscounted amounts based on contractual maturities and other commitments including interest, of the Company's financial liabilities and other commitments as at June 30, 2010:

<u>Financial Liabilities</u>	<u>1 year</u>	<u>2-3 years</u>	<u>4-5 years</u>	<u>Beyond 5 years</u>	<u>Total</u>
Accounts payable and accrued liabilities	\$ 15,807,843	\$ -	\$ -	\$ -	\$ 15,807,843
Long-term debt	3,069,049	6,138,098	6,138,098	21,865,952	37,211,197
Other liabilities	5,000,000	4,000,000	3,000,000	-	12,000,000
Operating leases	2,064,779	2,121,624	1,129,405	2,517,371	7,833,179
Capital leases	59,936	80,714	18,180	-	158,830
	<u>\$ 26,001,607</u>	<u>\$ 12,340,436</u>	<u>\$ 10,285,683</u>	<u>\$ 24,383,323</u>	<u>\$ 73,011,049</u>

iv) Foreign Currency and Interest Rate Risk

All of the Company's operations take place within Canada serving the Canadian market. There is limited exposure to foreign currency denominated assets or liabilities.

The Company's short-term and long-term liabilities have fixed interest rates, thereby minimizing the exposure to cash flow interest rate risk.

v) Major Customer

The Company has two customers, The McLennan Insurance Group Inc. and Lombard Canada Ltd., subsidiaries of Fairfax, which provided approximately 21.6% of its revenue for the year ended June 30, 2010 (2009 – 25.8%). McLennan and Lombard offer insurance products. As noted in note 14 Fairfax is a related party.

16. GOVERNMENT ASSISTANCE

The Company currently receives government assistance through three programs. First, the Company received postal subsidies through the Publications Assistance Program administered by the Department of Canadian Heritage. During the year ended June 30, 2010, these subsidies totalled \$461,981 (2009 - \$913,426) and are netted against operating expenses in the statements of loss and comprehensive loss. Second, the Company received an annual grant administered by the Department of Canadian Heritage to support Canadian editorial content. During the year, this grant totalled \$83,329 (2009 - \$40,672) and is netted against operating expenses in the statements of loss and comprehensive loss. Third, the Company has received Interactive Digital Media Tax Credits from the Province of Ontario. During the year ended June 30, 2010, the Company did not apply for a tax credit under the program (2009 - \$475,576). On April 1, 2010 the Department of Canadian Heritage replaced the Publications Assistance Program and the support for Canadian editorial content with the Canadian Periodical Fund. The company received \$866,827 during the year, \$288,942 has been netted against operating expenses during the year ended June 30, 2010 and \$577,885 has been deferred to recognize as a reduction of operating expenses when the related issue of the magazine is published during the next fiscal year (Note 7).

17. CAPITAL MANAGEMENT

The Company considers its capital structure as the aggregate of shareholders' equity and long-term debt less cash and short-term deposits. The Company manages its capital structure and makes adjustments to it in order to have funds available to support the business activities which the Board of Directors intends to pursue in addition to maximizing the return to shareholders. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

In order to carry out current operations and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended June 30, 2010.

The Company is not subject to externally imposed capital requirements.

18. COMMITMENTS AND CONTINGENT LIABILITIES

- (a) The Company is committed to fixed and contingent royalty payments for certain marketing rights and royalty revenue derived from the CARP name which has a term expiring December 31, 2099. However there will be a deduction of \$720,765 each year from the revenues received from Lombard until July 31, 2022 (Note 15(v)). The Company also earns royalty revenues earned from other affinity partners. In addition, \$600,000 is payable to Megadak each year until July 1, 2017 (Note 8(i)).
- (b) Future minimum lease payments under operating leases for premises (excluding the Company's proportionate share of building operating costs) and equipment over the next five fiscal years and thereafter in aggregate are as follows:

2011	\$ 2,064,779
2012	1,234,019
2013	887,605
2014	657,932
2015	471,473
Thereafter	2,517,371
	<u>\$ 7,833,179</u>

19. SEGMENTED INFORMATION

Management has determined that during the year the Company operated within four business segments: the publication of a magazine specifically for adults over 45; the operation of a number of Canadian websites specifically for adults over 45 providing content, commerce and community; the operation of a lifestyle, consumer show that is principally directed to adults over 45; and the exclusive provision of membership and marketing services to CARP. Beginning July 1, 2010 the reportable segments for the Company will be television operations, radio operations, print and websites (which includes royalty revenues and tradeshow).

The magazine generates revenue from advertising, subscriptions and sundry sources. The websites generate revenue from advertising and fees related to advertising and sponsorship exclusivity agreements. The consumer show generates revenue from sponsorships, booth rentals and ticket sales. The provision of membership and marketing services to CARP generates revenue from royalties. The accounting policies for the segments are the same as those described in Note 3. The Royalty segment does not utilize any equipment to a significant degree.

