CANLAN ICE SPORTS

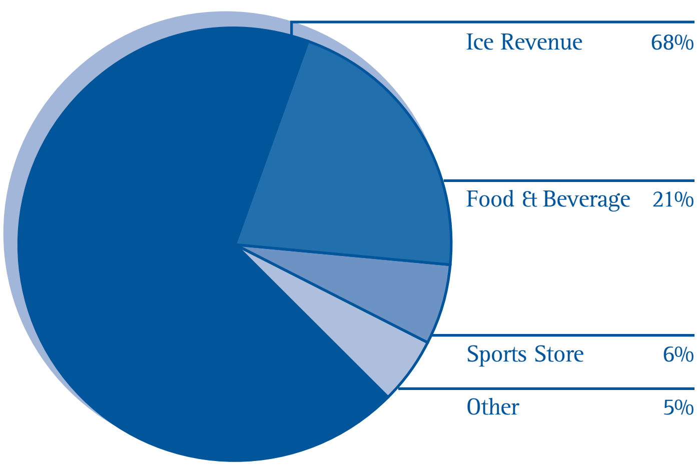
2002 ANNUAL REPORT

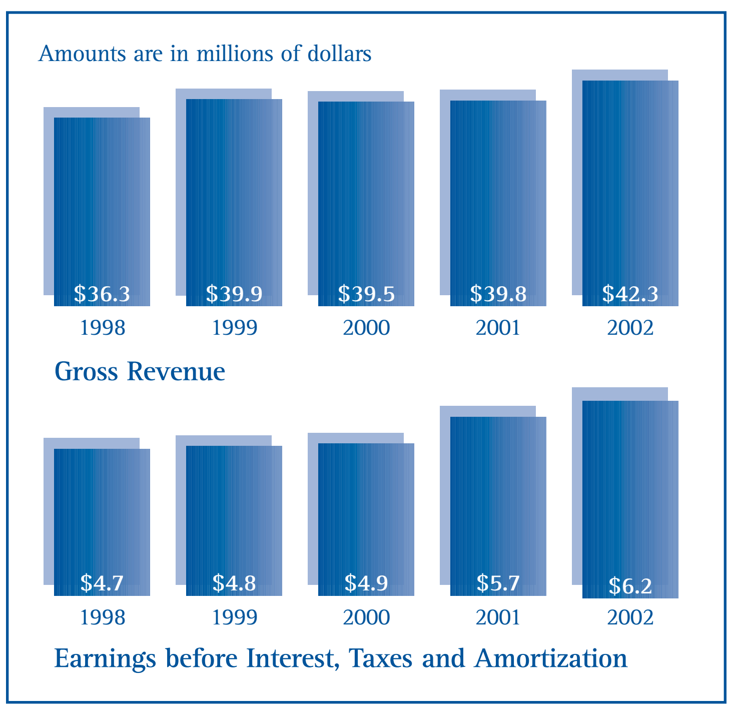
Financial Highlights

	2002	2001
Revenue from continuing operations	$42,307,000	$39,773,000
Earnings before interest, taxes and amortization	6,236,000	5,712,000
Net loss from continuing operations	(2,088,000)	(3,557,000)
Net loss	(1,504,000)	(4,369,000)
Total Assets, continuing operations	105,485,000	105,707,000
Total Assets, discontinued operations	–	1,041,000
Total Assets	105,485,000	106,788,000
Shareholders' equity	27,825,000	29,329,000
Loss per common share, continuing operations	(.02)	(.04)
Loss per common share (basic)	(.02)	(.05)
Shareholders' equity per share	.30	.31
Number of common shares outstanding	93,325,920	93,325,920

Canlan is the largest private sector operator of ice rinks in the world, with 56 ice surfaces at 20 facilities in North America. The Company's success in the recreation industry can be attributed to a combination of innovative, location-specific programming and world class facilities. Shares of Canlan trade on the Toronto Stock Exchange under the symbol ISE.

2002 Ice Sports Revenue





Message to Shareholders

During 2002 the Company continued to advance its principal objective of revenue and profit growth through the expansion of in-house programming in our existing facilities and the acquisition of new management contracts in both Canada and the U.S.A. Revenues of $42.3 million grew $2.5 million or 6.4%, which combined with cost controls, resulted in operating earnings of $6.2 million, a growth of $0.5 million or 9.2% over the prior year.

Our future growth is dependent on two key areas. First, the continued development and marketing of quality, branded, in-house schools, leagues and other programs; and secondly the aggressive expansion of non-owned facilities under management.

During 2002 we saw substantial growth in our program initiatives in all facilities. Importantly, this growth was largely in the summer months, the most difficult time of year to maintain adequate ice utilization levels in recreational ice sports facilities. The increase realized in operating profit during the year was largely due to these improvements in summer ice utilization.

Discussion of our in-house programs would not be complete without mention of Canlan's Adult Safe Hockey League, the largest adult recreational hockey league in North America. Continued efforts, both nationally and at the facility level, to deliver the best possible product with the best experience for our players has again resulted in year over year growth. Internally, this growth was 11% and total growth for the league, including satellite leagues in non-owned Canlan locations, was 13%. This demonstrates that our commitment to a quality product and delivery will continue to drive our growth objectives.

Canlan's programs development and direction on a national basis, and the individual program staff at each facility work together to both introduce new programs and ensure consistent quality for programs across all our operations. This partnership of national program development and local responsibility for marketing and on ice delivery, ensure our customers the best possible products and service.

Canlan currently manages seven facilities under contract in Canada and the United States with third party owners ranging from municipalities to private investors. We believe that with significant ice capacity currently available in most Canadian and many U.S. cities, one of the best courses to profitable growth for our Company is through expansion in the area of management of facilities for third parties.

Our Management Services Division offers both management and consulting services and draws on Canlan's over twenty years of operating experience with recreational ice sports facilities across Canada and the United States. As a result, we offer considerable management depth in operations, marketing, production, human resources and finance. Each of these key management resources is made available to new management contracts and consulting assignments and we believe this will allow the Company to continue to expand in future years.

Over the last several years Canlan has made a significant commitment to developing its employees. The Company has introduced internal programs and processes to train new employees and expand the knowledge and understanding of existing staff and managers. This commitment to provide the best possible training and opportunity for growth to our employees is the foundation of our success. As we have extended these applications and methods through our owned and managed operations, we have seen an immediate return in commitment from our people and increased success for both them and the Company.

Message to Shareholders

Over the last five years, we have realized average annual compound operating profit growth of 16%. This growth has been driven by our commitment to our core philosophy of marketing in-house, quality, branded programs and developing and training a core of employees and management that understand and support this initiative.

Although a lot has been accomplished, we have to continue to accelerate our growth in revenues and profits over the next year and bring Canlan to bottom line profitability and self-sustainability.

We thank our employees for their commitment to our goals and success and our shareholders and financial partners for their continued patience and support. We are confident that the accomplishments of the last several years will be continued in the year ahead.

W. Grant Ballantyne

President & CEO

Management's Discussion and Analysis

The following discussion of the operating results and financial position of Canlan Ice Sports Corp. should be read in conjunction with the December 31, 2002 consolidated financial statements and notes which are contained in this Annual Report.

Overview of the Company

Canlan Ice Sports Corp ("Canlan" or "the Company") is a publicly traded Canadian Company with its shares listed on the Toronto Stock Exchange using the trading symbol ISE. The Company currently has 93.3 million shares outstanding that have recently traded in the $0.04 to $0.12 range.

Canlan operates 20 ice rink facilities with 56 full sized ice sheets throughout North America. The Company owns 13 facilities and manages another 7 on behalf of investors. Canlan believes that the management of third party rinks enables the Company to leverage its management expertise as well as its branded ice-skating programs. Two new facilities under management contracts were added during the year, replacing two contracts that were cancelled for non-payment. The Company is currently pursuing a number of opportunities, which it anticipates will turn into management contracts in 2003. The Ontario market, where the Company owns and operates four facilities, continues to be the single largest market based on revenue. Ontario facilities generated $18.9 million in gross revenue or 45% of the total Company revenue in 2002.

	Number of Facilities	*Number of Ice sheets*
2002	20	56
2001	20	56
2000	18	53
1999	18	51
1998	17	50

	Number of Facilities	*Number of Ice sheets*
Canada:		
British Columbia	5	15
Saskatchewan	3	8
Manitoba	1	4
Ontario	4	14
Quebec	2	6
	15	**47**
U.S.A.:		
Kansas	2	3
Michigan	1	2
Virginia	1	2
California	1	2
	5	9
	20	**56**

Review of Operations

The net loss from continuing operations in 2002 was $2.1 million ($0.02 per share) compared to $3.5 million ($0.04 per share) in 2001. Earnings before interest, taxes and amortization ("EBITDA") was $6.2 million in 2002 compared to $5.7 million in 2001, an improvement of $0.5 million. After adjusting for one-time municipal property tax recoveries in 2001 the year over year improvement in EBITDA was $0.9 million or 16%. Earnings from operations include all operating revenue, management fees, operating expenses and corporate administration costs. As a percentage of revenue, EBITDA grew to 15% in 2002 compared to 14% in 2001 and 12% in 2000. Margins are expected to continue to improve as revenue increases and costs are maintained.

Management's Discussion and Analysis

Total revenue from continuing operations reached $42.3 million compared to $39.8 in 2001, an increase of $2.5 million or 6%. Our core business of revenue from ice including in-house programs contributed $28.9 million or 68% of the Company's revenue stream, an improvement of 7%. The Company's largest program, the Adult Safe Hockey League, contributed $11.3 million in sales in 2002, which represents 40% of total ice sales. The Company has been successful in growing this league in facilities outside the Canlan portfolio of owned and managed rinks while maintaining its high standards of professional management and customer satisfaction. For the first time, the Company operated the Adult Safe Hockey League outside its own facilities, one in Surrey B.C. and a second league in Cambridge, Ontario. The Company plans to continue expanding its satellite operations in 2003.

While revenues from ice sales showed steady improvement, sales from the restaurant and lounge operations decreased to $9 million, a drop of $0.12 million or 1.3%. Most of the reduction was isolated to our Quebec facilities where the Company has experienced a softening of ice revenue in recent years. The change in smoking by-laws in various jurisdictions has tended to drive business to the independent bars. We view these by-law changes favourably and expect to regain market share as local governments apply the laws more consistently.

Revenue in our sports stores stabilized at $2.5 million in 2002 after we generally lowered inventory levels and focused our merchandising on high volume/high margin products, effectively increasing our revenue per transaction and our profitability.

Contract Management and Consulting & Development Services

The Company operates a Management Services Division to capitalize on our industry expertise and operational knowledge. The Division offers various ice facility services to investors, from one time consulting engagements to long-term management contracts. During 2002 the Company added two new management contracts to its portfolio and terminated two others. We are currently managing seven facilities under contract with various terms and conditions. Total revenue generated from long-term management contracts was $0.9 million. The Division also was engaged in a variety of specific purpose consulting contracts, which generated $0.1 million in revenue. Management feels it has the knowledge and infrastructure to enable the Company to offer quality management services to third party owners based on considerable experience through the ownership and/or management of 20 recreational sports facilities.

A summary of the business segments is summarized as follows:

	2002		*2001*	
in thousands	*Sales*	*%*	*Sales*	*%*
Ice Sales	$28,876	68%	$26,901	68%
Restaurant and lounge	9,042	21%	9,162	23%
Sports Store	2,513	6%	2,529	6%
Advertising and other	1,876	5%	1,181	3%
	$42,307	100%	$39,773	100%

Management's Discussion and Analysis

in thousands	*2002* Sales	%	*2001*	
Canada:				
British Columbia	$ 9,676	23%	$ 9,264	23%
Saskatchewan	4,825	11%	4,647	12%
Manitoba	2,333	6%	2,508	6%
Ontario	18,987	45%	16,336	41%
Quebec	4,593	11%	5,060	13%
	40,414	96%	37,815	95%
U.S.A.	1,893	4%	1,958	5%
	$42,307	100%	$39,773	100%

The Company's focus for 2002 was to improve operating results in the summer months by strengthening programming revenue and cost control. The following chart demonstrates that the Company made satisfactory progress in improving off-season results.

	Q1 – 2002 Actual	*Q2 – 2002 Actual*	*Q3 – 2002 Actual*	*Q4 – 2002 Actual*	*2002 Actual*
Gross revenue	$12,833	$8,701	$7,676	$13,097	$42,307
Operating costs	($8,666)	($8,166)	($7,211)	($9,570)	($33,613)
	$ 4,167	$ 535	$ 465	$ 3,527	$ 8,694
General & Administration	($620)	($586)	($642)	($610)	($2,458)
EBITDA	**$ 3,547**	**($51)**	**($177)**	**$ 2,917**	**$ 6,236**

	Q1 – 2001 Actual	*Q2 – 2001 Actual*	*Q3 – 2001 Actual*	*Q4 – 2001 Actual*	*2001 Actual*
Gross revenue	$13,013	$7,716	$6,615	$12,429	$39,773
Operating costs	($8,827)	($7,387)	($6,479)	($8,870)	($31,563)
	$ 4,186	$ 329	$ 136	$ 3,559	$ 8,210
General & Administration	($649)	($641)	($570)	($638)	($2,498)
EBITDA	**$ 3,537**	**($312)**	**($434)**	**$ 2,921**	**$ 5,712**

Operating results from British Columbia and Ontario continue to show significant improvement. The results from Saskatchewan and Manitoba were lower than expected as a result of increased operating costs; two ice pads were shut down in the Winnipeg facility for six weeks as a result of mechanical problems.

The 2002 operating results from the two Quebec facilities were disappointing and well below target. The Company has implemented further changes to management and is making major improvements to the Brossard facility. The changes will improve our product as well as our customer service through the continued introduction of the skating and hockey programs that have been successful in many other regions.

Total ice rink operating costs represented 79% of revenue, unchanged from 2001. Payroll costs of $11 million represent the majority of our operating expenses. The other significant operating costs include utilities, property taxes and repairs and maintenance.

The Company sold most of its remaining surplus assets in 2002 and realized a profit of $0.6 million. One transaction included a 6%, $1 million mortgage take back that matures in October 2003. The proceeds of the maturity will be applied to permanently reduce the Company's operating line of credit to $3 million.

The total net loss for the year ended December 31, 2002 was $1.5 million compared to a loss of $4.3 million in 2001.

Interest Expense

The Company incurred total interest costs on debt related to ice rinks of $3.7 million (2001 – $4.6 million) plus $0.5 million of interest was paid to service the Company's credit lines for a total interest cost of $4.2 million, compared to $5.2 million in 2001. At year-end, the Company had interest bearing debt totaling $62.5 million (2001 – $63.7 million) of which $45.2 million was at variable rates. The Company continued to benefit from a low prime interest rate during the course of 2002.

Amortization

The Company's amortization policy was unchanged during the year, which calls for straight-line amortization of its ice rink assets over periods ranging from 5 years to 40 years. Amortization expense for the year of $3.6 million was relatively unchanged from the prior year as the Company did not add any significant capital assets to the portfolio during the year. The Company expensed $1.5 million in 2002 on repairs and maintenance costs incurred to maintain facilities to a high standard. The Company has a maintenance program which calls for the refurbishment and replacement of key equipment on a routine basis. The program is designed to prevent unexpected disruptions in providing service to our customers.

General and Administration

Administrative expenses incurred by the ice rink facilities are included in ice rink operating costs. In 2002, this totaled $2.9 million or 7% of total revenue. Administration costs increased during the year as a result of the addition of new positions in the areas of facility programming and regional management responsibilities in Ontario and B.C.

Corporate general and administration expenses were $2.5 million, unchanged from 2001. During the year, the Company enhanced its IT support by establishing help desks in B.C. and Ontario, which was necessary to maintain and improve the Company's computer infrastructure. The Company also maintains a satellite office in Toronto at its Etobicoke facility. Included in corporate overhead are costs related to management support services to all Ice Sports facilities, including accounting, marketing, IT support, payroll and human resources services. Costs related to maintaining Canlan's public listing and provincial capital taxes are also included in general and administration expenses.

Taxes

The Company pays property taxes to various municipalities in which its ice rinks are situated, which are a significant expense to the Company. In 2002, the Company incurred $1.8 million (2001 – $1.5 million) in property taxes.

Canlan was not subject to income taxes in 2002 or 2001 as the Company incurred losses for tax purposes. The Company did incur capital taxes at the provincial (included in general and administration expenses) and federal (shown as taxes expense) levels totaling $0.5 million. Recent announcements by both federal and provincial authorities have indicated that capital taxes in B.C., Ontario and at the federal level will be phased out. This will have a favourable impact on Canlan's results beginning in 2003.

Management's Discussion and Analysis

Summary of Operations

in thousands	*2002*	*2001*	*% Change*
Revenue			
Ice rinks and management contracts	$42,307	$39,773	6.4%
Expenses			
Ice rinks	33,613	31,563	6.5%
General & administration	2,458	2,498	(1.6%)
	36,071	34,061	5.9%
EBITDA	**6,236**	**5,712**	**9.2%**
Interest	4,247	5,201	(18.3%)
Depreciation	3,598	3,638	(1.0%)
Taxes	234	270	(13.3%)
Loss (gain) on sale of properties	(71)	46	N/a
Other	316	114	N/a
	8,324	9,269	(10.2%)
Net Loss from Continuing Operations	**($2,088)**	**($3,557)**	41.3%
EBITDA as a percentage of revenue	14.7%	14.4%	
General & administration as a percentage of revenue	5.8%	6.3%	

Review of Assets

Total book value of the Company's assets decreased from $106.8 million at December 31, 2001 to $105.5 million at December 31, 2002. The table below summarizes the Company's asset base.

in thousands	*2002*	*2001*
Ice rink facilities	$ 95,901	$ 98,266
Cash	3,993	2,539
Accounts and notes receivable	2,707	1,795
Inventory	1,054	1,174
Prepaid expenses and other assets	974	1,117
Land held for ice rink development	856	856
Discontinued assets	0	1,041
	$105,485	$106,788

The Company spent $0.6 million (net) on capital expenditures on its owned facilities during the year; the Company did not acquire any new properties during 2002. Significant disposals during the year included the sale of a 10-acre parcel of land in Oakville, Ontario that included a vendor-take-back mortgage in the amount of $1 million, which is due October 2003. The other transaction was the sale of 2.14 acres of land adjacent to the Kansas City facility that was considered surplus to our operations. Sale proceeds were $220,000. Proceeds from both transactions were used to reduce debt.

Review of Liabilities

The table below summarizes the Company's capital structure.

in thousands	*2002*	*2001*
Mortgages payable	$ 53,943	$ 54,732
Notes and agreements payable	7,823	7,473
Deferred revenue and customer deposits	6,105	5,238
Accounts payable	4,486	4,157
Bank indebtedness	3,726	4,308
Capital leases	518	807
Non controlling interest	1,059	744
Shareholders equity	27,825	29,329
	$105,485	$106,788

Total interest bearing debt, which includes notes payable, mortgages payable, capital leases and credit lines totaled $62.5 million as at December 31, 2002, a decrease of $1.2 million from 2001. Outstanding balances relating to mortgage debt were reduced by $0.8 million, and capital leases were reduced by $0.2 million.

As at December 31, 2002, the Company had a working capital deficiency of $11 million compared to $9 million at the previous year-end. The deficiency increased as a result of the current portion of mortgage payables being classified as a current liability as principal payments resumed in October 2002. In addition, $2 million of the borrowings from the controlling shareholder are due to be repaid during 2003.

The 24-month principal holiday on all but one of its ice rink mortgages ended in November 2002. The normalized principal payments for the Company for 2003 will be $2.6 million. Substantially all ice rink debt matures in 2004 and 2005, and will be refinanced.

Liquidity and Capital Resources

The Company's debt to equity ratio has increased slightly to 2.75:1 from 2.58:1 in 2001. The Company generated cash flow from operations before interest, principal and federal capital taxes totaling $6.2 million. After providing for interest and capital taxes of $4.5 million, a $1.7 million positive cash flow resulted before principal repayment. Principal repayments for the mortgages were $0.8 million and capital leases were $0.3 million totaling $1.1 million in 2002. Therefore, as a result of the reduced principal repayments the Company was cash flow positive in 2002. Had normal principal payments been required in 2002, the Company would have been cash flow negative by $1.2 million based on current results.

Operating activities, net of working capital changes, generated $3.8 million (2001 – net outflow of $0.2 million). Our facilities in Ontario contributed $3.3 million of the total net cash flow from operations. Ice facilities in Ontario are owned by a subsidiary entity that is 75% owned by Canlan, with the 25% non-controlling interest owned by an arm's length investor.

With continued improvements from the facilities and a larger contribution from the Management Services Division, the Company is expecting to be near break even on a consolidated cash flow basis in 2003.

Pursuant to loan agreements, the Company has outstanding loans from its major shareholder totaling $4 million. The funds were used to finance cash shortfalls in 2001 and to finance the purchase in September 2001 of the interest previously held by a minority partner in Ontario. The loan agreement calls for a specific repayment schedule over the next three years. In addition, the Company borrowed funds, on a short-term basis, during the year to finance the seasonally slower summer months. These advances were interest bearing and fully repaid by December 31, 2002.

Management's Discussion and Analysis

Risk Management

The Company is engaged primarily in the operation of multi-pad ice rink facilities throughout North America, and is exposed to a number of risks that can affect operating performance. These risks and management's action taken to minimize its exposure are summarized below.

Seasonality

The Company's business cycle is highly seasonal with 61% (2001 – 64%) of the revenue being generated in the first and last quarters; these are the periods in which the Company's hockey leagues and special programs are most active. Traditionally the Company has been cash flow negative in the spring and summer months; however, the Company had its most successful summer in 2002. Operating results improved by $0.5 million from April 1 to September 30. This was the result of improved marketing of our Canlan branded programs, which include Camp Canlan, the 3 on 3 Hockey League and the Youth Hockey League to name just a few.

Competition

The ice rink industry is highly competitive, as Canlan finds itself competing with other private operators in its three major markets, B.C., Ontario and Quebec, as well as Municipal Governments that do not have a comparable operating cost base. Canlan's strategy to compete in the market place is to focus our customers on service, our innovative sports programs and the quality of our facilities.

League Operations

As part of its business strategy, the Company develops and organizes adult leagues to play in the facilities and due to the nature of the sport, injuries occur. To reduce the risk to our customers, the Company maintains its facilities to high standards, continually monitors league activities and enforces a strict set of rules.

Financial

The Company has loans subject to variable rates totaling $45.2 million, which represents 72% of total interest bearing debt. The Company is therefore susceptible to interest rate fluctuations.

Outlook for 2003 and Beyond

Canlan has made progress towards becoming a self-sustaining enterprise and management is confident that this milestone will be achieved in the next 24 months. We are looking forward to 2003 as we continue to maintain our leadership position in the industry and expand our management contract portfolio. New programs will be developed to meet the needs of our customers, while maintaining a high standard of quality for our existing programs including the Adult Safe Hockey League, North America's largest adult recreational hockey league.

With the first stage of the restructuring complete, 2003 will be a pivotal year for the Company. We will continue to monitor the facilities that are under performing and make necessary changes while maximizing the profits of our many successful operations.

Canlan Ice Sports Facilities

BRITISH COLUMBIA

Burnaby

1. Ice Sports 8-Rinks, 8-Rink Complex, 100%

North Vancouver

2. Ice Sports North Shore, 3-Rink Complex, 50 year management contract

Langley

3. Ice Sports Langley, 1 Spectator Rink, 5 year management contract
4. Ice Sports Langley Twin Rinks, 2-Rink Complex, Management contract

Aldergrove

5. Ice Sports Aldergrove, 1 Spectator Rink, 5 year management contract

SASKATCHEWAN

Saskatoon

6. Ice Sports Jemini, 4-Rink Complex, 100%
7. Ice Sports Agriplace, 2-Rink Complex, 100%

Regina

8. Ice Sports Sherwood, 2-Rink Complex, 100%

MANITOBA

Winnipeg

9. Ice Sports Highlander, 4-Rink Complex, 100%

ONTARIO

Toronto

10. Ice Sports Oakville, 4-Rink Complex, 56.25%
11. Ice Sports Etobicoke, 4-Rink Complex, 75%
12. Ice Sports Scarborough, 4-Rink Complex, 75%
13. Ice Sports Oshawa, 2-Rink Complex, 56.25%

QUEBEC

Montreal

14. Les 4 Glaces, 4-Rink Complex, 100%
15. Ice Sports Candiac, 2-Rink Complex, 100%

KANSAS

Kansas City

16. Ice Sports Kansas City, 1 Spectator Rink, 100%

Wichita

17. Ice Sports Wichita, 2-Rink Complex, 15 year contract; option to acquire a 99 year lease

MICHIGAN

East Lansing

18. Ice Sports East Lansing, 2-Rink Complex, 2 year management contract

VIRGINIA

Chesapeake

19. Ice Sports Chesapeake, 2-Rink Complex, 2 year management contract

CALIFORNIA

Vacaville

20. Ice Sports Vacaville, 2-Rink Complex, Management contract

Management's Responsibility for Financial statements

The accompanying consolidated financial statements of Canlan Ice Sports Corp. have been prepared by management in accordance with Canadian generally accepted accounting principles.

The Company's accounting procedures and related systems of internal control are designed to provide reasonable assurance that its assets are safeguarded and its financial records are reliable. In recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these consolidated financial statements have been prepared accordingly and within reasonable limits of materiality. Furthermore, management is satisfied that the financial information throughout the balance of this annual report is consistent with the information presented in the consolidated financial statements.

KPMG LLP have been appointed by the shareholders of the Company and serve as the Company's external auditors. They have examined the consolidated financial statements of the Company for the year ended December 31, 2002.

The Audit Committee has reviewed these statements with management and the auditors, and has reported to the Board of Directors. The Board has approved the consolidated financial statements of the Company, which are contained in this annual report.

W. Grant Ballantyne
President & Chief Executive Officer
Vancouver, BC

Michael F. Gellard
Vice President, Finance and Chief Financial Officer
Vancouver, BC

April 16, 2003

Auditor's Report

We have audited the consolidated balance sheets of Canlan Ice Sports Corp. as at December 31, 2002 and 2001 and the consolidated statements of operations and deficit and cash flows for the years 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 audits.

We conducted our audits 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 December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act (British Columbia) we report that, in our opinion, these principles have been applied on a consistent basis.

KPMG LLP

Chartered Accountants

Vancouver, Canada

March 3, 2003

Consolidated Balance Sheets

December 31, 2002 and 2001 (Expressed in thousands of dollars)	*2002*	*2001*
Assets		
Current assets		
Cash	$ 3,993	$ 2,539
Accounts receivable	1,707	1,795
Note receivable	1,000	–
Inventory	1,054	1,174
Prepaid expenses	463	511
Discontinued operations assets (note 16)	–	1,041
	8,217	7,060
Properties:		
Ice rinks (note 5)	95,901	98,266
Held for ice rink development	856	856
	96,757	99,122
Other assets	511	606
	$ 105,485	$ 106,788
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness (note 6)	$ 3,726	$ 4,308
Accounts payable and accrued liabilities	4,486	4,157
Deferred revenue and customer deposits	6,105	5,238
Current portion of:		
Obligations under capital leases (note 7)	270	498
Debt on ice rinks (note 8) 2	2,603	436
Notes and agreements payable (note 9)	2,025	1,400
	19,215	16,037
Long-term liabilities:		
Obligations under capital leases (note 7)	248	309
Debt on ice rinks (note 8)	51,340	54,296
Notes and agreements payable (note 9)	5,798	6,073
	57,386	60,678
Non-controlling interest	1,059	744
	77,660	77,459
Shareholders' equity:		
Share capital (note 10)	54,981	54,981
Deficit	(27,156)	(25,652)
	27,825	29,329
	$ 105,485	$ 106,788

Future operations (note 2)
Commitments and contingencies (note 12)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board: Director Director

Consolidated Statements of Operations and Deficit

Years ended December 31, 2002 and 2001 (Expressed in thousands of dollars)	*2002*	*2001*
Revenue:		
Ice rinks (note 17)	$ 42,307	$ 39,773
Expenses:		
Ice rinks	33,613	31,563
Ice rinks operations	8,694	8,210
General and administration expenses	2,458	2,498
Earnings before the undernoted	6,236	5,712
Other expenses:		
Interest on debt on ice rinks	3,728	4,572
Other interest (note 7)	519	629
Amortization	3,598	3,638
Loss (gain) on sale of properties	(71)	46
Non-controlling interest	316	85
Write-down of marketable securities	–	29
	8,090	8,999
Loss from continuing operations before taxes	1,854	3,287
Taxes (note 13)	234	270
Loss from continuing operations	2,088	3,557
Gain (loss) from discontinued operations (note 16)	584	(812)
Loss for the year	1,504	4,369
Deficit, beginning of year	25,652	21,283
Deficit, end of year	$ 27,156	$ 25,652
Basic and fully diluted loss per common share:		
Loss from continuing operations	$ 0.02	$ 0.04
Loss for the year	0.02	0.05

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31, 2002 and 2001 (Expressed in thousands of dollars)	*2002*	*2001*
Cash provided by (used in):		
Operations:		
Loss from continuing operations	$ (2,088)	$ (3,557)
Items not involving cash:		
Amortization	3,598	3,638
Gain (loss) on sale of properties	(71)	46
Non-controlling interest	316	85
Write-down of marketable securities	–	29
Changes in non-cash working capital:		
Accounts receivable	88	777
Accounts payable and accrued liabilities	329	(1,220)
Deferred revenue and customer deposits	867	(117)
Inventory	120	110
Increase in cash from discontinued operations (note 16)	625	993
	3,784	(209)
Investments:		
Proceeds on sale of properties	288	130
Investment in joint venture less cash acquired	–	(686)
Expenditures on ice rink properties	(869)	(1,152)
Other assets	(80)	222
	(661)	(1,486)
Financing:		
Repayments on line of credit	(582)	(708)
Principal repayments on debt on ice rinks	(789)	(463)
Principal repayments on obligations under capital lease	(648)	(826)
Increase in notes payable	350	3,675
	(1,669)	1,678
Increase (decrease) in cash from continuing operations	1,454	(17)
Cash, beginning of year	2,539	1,563
Cash, end of year	$ 3,993	$ 2,539
Supplementary information:		
Taxes paid	$ 156	$ 428
Interest paid	4,159	5,201
Non-cash transactions:		
Capital lease additions	359	–

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended December 31, 2002 and 2001

1. General:

Canlan Ice Sports Corp. (the "Company") focuses on the acquisition, development and operation of full service ice rink facilities across North America.

2. Future operations:

These financial statements are prepared on the basis that the Company will continue to operate throughout its next fiscal period subsequent to December 31, 2002 as a going concern.

The Company has incurred losses from continuing operations for the years ended December 31, 2002 and 2001, and has a significant working capital deficiency. Accordingly, the Company is dependent upon the continued support of its banks, other lenders and its controlling shareholder, to obtain long term financing for certain rinks and, ultimately, its ability to generate future profitable operations.

Management continues to review the Company's revenue generating activities and its expenditure levels to increase net cash flows. In addition, management will seek various financing alternatives if considered necessary. Management believes that these actions, in conjunction with the expected sales growth and continued expansion of ice rink management and consulting activities, make the use of the going concern basis appropriate; however, it is not possible at this time to predict the outcome of these matters. If the going concern basis is not appropriate, adjustments may be necessary in the carrying amounts and/or classification of assets, liabilities and expenses in these consolidated financial statements, and the adjustments could be material.

3. Significant accounting policies:

These financial statements are prepared in accordance with Canadian generally accepted accounting principles.

(a) **Principles of consolidation:**

These consolidated financial statements include the accounts of the Company and the following subsidiaries:

P.C. Development Inc.
Ormskirk Investments Ltd.
Adult "Safe Hockey" Leagues Ltd.
Les Quatre Glaces (1994) Inc.
Iceplex 2000 Ltd.
O&O Development Corporation
Canlan Ice Sports (USA) Corp.

The accounts of all unincorporated joint ventures and partnerships are included in these consolidated financial statements to the extent of the Company's proportionate interest in their respective assets, liabilities, revenue and expenses (note 4).

3. Significant accounting policies (cont'd)

(b) **Inventories:**

Inventories consist of hockey equipment, supplies and sportswear held for sale and food and beverage supplies. Inventories are recorded at the lower of cost, determined on a first-in first-out basis, and estimated net realizable value.

(c) **Properties:**

Ice rinks and other revenue properties are stated at cost less accumulated amortization. Cost includes interest, property taxes, other carrying charges, and applicable general and administrative expenses incurred during the development and pre-operating periods. At least annually, management review the net carrying amount of individual properties in relation to the estimated future net cash flows from use, including residual value, to determine whether a write-down is required.

Costs incurred on ice rinks are capitalized net of related revenue until the facility is ready to commence operations, for its first hockey league season.

Ice rink properties are amortized on a straight-line basis over the estimated useful lives of the respective assets, which are as follows:

Assets	*Rate*
Buildings	40 years
Machinery and equipment	10 years
Computers, furniture and fixtures	5 years
Ice resurfacing equipment	5 years

(d) **Revenue recognition:**

Revenue from ice contracts and leagues is recorded as earned. Deferred revenue represents payments received in advance for events which have not yet occurred, and services which have not yet been performed. These amounts will be recorded in revenue as earned.

(e) **Other assets:**

Included in other assets are deferred financing charges which are amortized over the minimum term of the related debt.

(f) **Foreign currency:**

Monetary items denominated in foreign currency are translated into Canadian dollars at exchange rates in effect at the balance sheet date, and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenue and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in operations.

3. Significant accounting policies (cont'd)

(g) **Earnings per share:**

Effective January 1, 2001, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants related to the calculation of earnings per share. These recommendations require the application of the treasury stock method for the computation of the dilutive effects of stock options and other dilutive securities. The application of these new recommendations had no significant impact on the fully diluted earnings per share for the years ended December 31, 2002 and 2001.

Earnings per share has been calculated using the weighted average number of common shares outstanding, which for 2002 was 93,325,920 shares (2001 – 93,325,920 shares).

(h) **Stock-based compensation plan:**

On January 1, 2002, the Company prospectively adopted the new recommendations of the Canadian Institute of Chartered Accountants related to the recognition, measurement and disclosure of stock-based compensation. These recommendations encourage, but do not require, enterprises to recognize compensation cost for employee stock options using the fair value based method. Under the fair value method, the value of a stock option is determined using an option pricing model that takes into account, as of the grant date, the exercise price, the expected life of the option, the current price of the underlying stock, its expected volatility, expected dividends on the stock, and the risk-free interest rate over the expected life of the option.

Pursuant to these recommendations, the Company has elected not to adopt the fair value method of accounting for its employee stock options because of the Company's limited use of stock-based compensation in relation to the complexity of the computation required. The Company provides, in note 11, proforma information on the impact on the consolidated financial statements if the fair value method described above was applied to employee stock-based compensation. The Company accounts for stock-based compensation to employees using the settlement method. Under the settlement method, no compensation is recognized on stock-option grants and consideration received on exercise is credited to share capital. See note 11 for information on stock options granted by the Company.

(i) **Derivative Financial Instruments:**

The Company is at times party to interest rate swap contracts used to manage the exposure to interest rate cash flow risk. These instruments are not recognized in the financial statements on inception. Payments and receipts under the interest rate swap contract are recognized as adjustments to interest expense on long-term debt.

(j) **Measurement uncertainty:**

Financial statements prepared in conformity with Canadian generally accepted accounting principles require management to make estimates and assumptions which can affect the reported balances. In determining estimates of net recoverable amounts for its ice rinks and discontinued operations assets and net realizable values for accounts receivable, inventory and other assets, management makes assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail and are expected to prevail. Assumptions underlying asset valuations are limited by the availability of reliable comparable data and the uncertainty of predictions concerning future events.

By nature, asset valuations are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated net recoverable amounts and net realizable values may change, and the amount of the change may be material.

(k) **Income taxes:**

Incomes taxes are accounted for by the asset and liability method. Under this standard, future income tax assets and future income tax liabilities are determined on temporary differences (differences between the tax basis and accounting basis of assets and liabilities) and are measured using the enacted, or substantively enacted, tax rates expected to apply when the asset is realized or the liability is settled. A valuation allowance is recorded against any future tax asset if it is more likely than not that the asset will not be realized.

(l) **Comparative figures:**

Certain comparative figures for 2001 have been reclassified to conform with the basis of presentation adopted for 2002.

4. Acquisition:

On September 1, 2001, the Company purchased the remaining 18.75% joint venture interest in its Etobicoke Ice Rink facility (the 'Rink') that was owned by a third party. Cash consideration of $675,000 was paid to complete the acquisition and allocated to the acquired portion of the Rink's net assets as follows:

Notes to Consolidated Financial Statements

Years ended December 31, 2002 and 2001

4. Acquisition (cont'd)

Current assets	$ 114,860
Property, plant and equipment	2,149,997
	2,264,857
Current liabilities	(123,676)
Mortgage and lease obligations	(1,466,181)
	(1,589,857)
Cash consideration	$ 675,000

For the year ended December 31, 2001, revenue includes $2,036,000 and expenses include $2,309,000 in respect of the Company's joint venture interest prior to the acquisition.

5. Properties:

			2002
(expressed in thousands of dollars)	*Cost*	*Accumulated amortization*	*Net book value*
Ice rinks:			
Land	$ 15,032	$ –	$15,032
Buildings	91,811	13,988	77,823
Machinery and equipment	3,360	1,596	1,764
Computers, furniture and fixtures	2,766	1,921	845
Ice resurfacing equipment	1,714	1,277	437
	$114,683	$18,782	$95,901

			2001
(expressed in thousands of dollars)	*Cost*	*Accumulated amortization*	*Net book value*
Ice rinks:			
Land	$ 15,144	$ –	$15,144
Buildings	91,590	11,708	79,882
Machinery and equipment	3,296	1,392	1,904
Computers, furniture and fixtures	2,227	1,552	675
Ice resurfacing equipment	1,651	990	661
	$113,908	$15,642	$98,266

Included in properties are assets under capital leases with a cost of $3,263,000 (2001 – $3,061,000) and accumulated amortization of $1,306,000 (2001 – $1,097,000).

6. Bank indebtedness:

The Company has an operating line of credit which bears interest at prime plus 1% (2001 – prime plus 1%). This operating line of credit is secured by general security agreements. The $4,000,000 (2001 – $4,500,000) operating line of credit is guaranteed by the Company's controlling shareholder.

7. Obligations under capital leases:

Total minimum lease payments are as follows:

(expressed in thousands of dollars)	
2003	$ 295
2004	183
2005	200
2006	13
2007	–
	691
Interest (rates vary from 8.25% to 12%)	(173)
Present value of minimum capital lease payments	518
Current portion	270
Long-term portion	$ 248

Lease obligations are secured directly by the leased assets.

Interest of $80,000 (2001 – $153,000) relating to capital lease obligations has been included in other interest expense.

8. Debt on ice rinks:

	Maturity dates	*Weighted average interest rates*	*2002*	*2001*
(expressed in thousands of dollars)				
Fixed rate	2005–2009	2002–7.44% (2001–7.40%)	$16,770	$ 17,711
Variable rate	2005	2002–prime plus 1.21% (2001–prime plus 1.21%)	37,173	37,021
			53,943	54,732
Current portion			(2,603)	(436)
Long-term portion			$51,340	$54,296

8. Debt on ice rinks (cont'd)

Debt on ice rink properties at December 31, 2002 includes $1,094,000 (2001 – $1,416,000) of debt repayable in US dollars.

Debt on ice rinks is secured by first mortgages, demand debentures, general security agreements, general assignments of book debts, assignments of rents and insurance, and specific pledging of title to and interest in the respective land and buildings.

The Company is expected to be in violation of a covenant related to a certain term loan on one of its ice rinks in 2003.

Pursuant to the Company's restructuring, secured lenders, representing substantially all debt on ice rinks, agreed to suspend for a period of two years principal repayments and their requirements for the Company to comply with specified debt covenants as well as extending the terms of the debts to mature in 2005. The suspension of principal repayment of various debt began to expire in November 2002.

Based on terms and conditions in existence at December 31, 2002, principal repayments for the next five years and in aggregate of amounts outstanding are as follows:

(expressed in thousands of dollars)	
Year ending December 31:	
2003	$ 2,603
2004	15,775
2005	34,594
2006	115
2007	62
Thereafter	794
	$53,943

9. Notes and agreements payable:

(expressed in thousands of dollars)	*2002*	*2001*
Notes payable to controlling shareholder	$4,025	$3,675
Amount due to minority interest of subsidiary company	235	235
Adult "Safe-Hockey" League Ltd. ("ASHL") subordinated debentures	813	813
O&O Development Corporation ("O&O") subordinated debentures:		
8%	2,500	2,500
16%	250	250
	7,823	7,473
Current portion	2,025	1,400
	$5,798	$6,073

The notes payable to the controlling shareholder bear interest at prime plus 2%, payable monthly in arrears. $2,025,000 is due in 2003. $1,000,000 of the remainder is due in each of 2004 and 2005. In 2001, $675,000 of these funds was used to fund acquisition of the remaining 18.75% joint venture interest in its Etobicoke rink (note 4). The remaining $3,350,000 is part of a non-revolving loan facility. At December 31, 2001, the Company was in violation of repayment terms on the non-revolving loan facility, however in 2002 new terms were negotiated and the Company is in compliance with these terms. The notes payable have been classified on the balance sheet according to these new terms.

Interest on the ASHL and O&O subordinated debentures is payable on a date and for a period to be specified by the parties, provided that the companies will not be under any obligation to make such payment if it would cause the companies to be in default on any of their covenants. No interest has been paid or accrued in 2002 or 2001. The debentures matured in September 2002, but were exercised for an additional one-year term. When the debentures mature in September 2003, the debt can be extended for two additional one-year terms at the Company's option, if insufficient cash exists for repayment. Upon the expiration of the second extension, should ASHL and O&O be unable to retire the debentures, the debenture holder is entitled to receive common shares of the Company in settlement or, if the Company is unable to obtain all necessary regulatory approval for the share issuance, cash. The weighted average trading price of the Company's shares on the TSE at that time will be used to determine the number of shares to be issued in order to satisfy the debt. The debentures are secured by a charge against the ice rink properties of O&O.

10. Share capital:

The common shares of the Company are listed on the Toronto Stock Exchange.

(a) **Authorized:**

500,000,000 common shares of no par value

(b) **Issued and outstanding:**

	Shares	*Amount*
Balance, December 31, 2002 and 2001	93,325,920	$54,981,000

11. Stock option:

Stock Options are granted by the Company's Board of Directors subject to the terms and conditions of the Canlan Ice Sports Corp. Employee and Director Stock Option Plan (2002). The plan has authorized 9,329,538 Common Shares. Options granted have a five-year term and have an exercise price based on the market price of the stock at the time of grant. Options granted vest at dates determined by the Board of Directors.

Two-thirds of the stock options granted in 2002 have vested at December 31, 2002. The remaining one-third vest in November 2003.

The following table summarizes the continuity of the Company's stock options:

	Number of shares	Weighted average exercise price
Balance, December 31, 2001	–	$ –
Granted	8,300,000	0.06
Forfeited	(350,000)	0.06
Outstanding, December 31, 2002	7,950,000	$0.06

The following table summarizes information about the stock options outstanding at December 31, 2002:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
$ 0.06	7,950,000	51 months	$0.06	5,300,000	$0.06

The Company is required to disclose the pro-forma effects on net loss and net loss per share data as if the Company had elected to use the fair value approach to account for its employee stock-based compensation plans described in note 3(h). If this approach had been applied, the Company's net loss and net loss per share would have been as indicated below:

	(expressed in thousands of dollars)
Loss for the year:	
As reported	$1,512
Pro forma	1,913
Basic and fully diluted loss per share:	
As reported	$0.02
Pro forma	0.02

The fair value for the options was estimated using the Black-Scholes option pricing model assuming no expected dividends and the following weighted average assumptions:

	Options		
	Interest rate	Term	Volatility
2002	4.0%	42 months	150%

The weighted average fair value of options granted during the year was $0.06 each at the grant date.

12. Commitments and contingencies:

(a) During the period from May 24, 2001 to May 23, 2008, the owner of a non-controlling 25% interest in one of the Company's subsidiaries has the right to require the subsidiary or the Company to, no more frequently than annually, purchase 20% of its interest, for either cash or shares of the Company. The transaction price is to be based on the greater of fair market value and a multiple of the subsidiary's earnings before interest, tax, depreciation and amortization ('EBITDA'). If the consideration paid is shares of the Company, they are to be valued based on the weighted average trading price over a specified 10 day period. As at March 3, 2003, the owner of the non-controlling interest has not exercised this right.

(b) Pursuant to a Shareholders' Agreement dated April 11, 1997, the owner of a non-controlling 25% interest in one of the Company's subsidiaries has the right to require Canlan, annually beginning November 1, 2003, to acquire all or a portion of all of its shares of the subsidiary (up to a cumulative maximum increasing at

12. Commitments and contingencies (cont'd)

$2,000,000 per year for each of the first three years) either for shares of Canlan (valued on the weighted average trading price over a specified 10 day period) or, if regulatory approval cannot be obtained, for cash. The price for the shares shall be their proportionate interest in the subsidiary's value calculated based on a multiple of the subsidiary's earnings before interest, tax, depreciation and amortization, less total funded debt of the subsidiary plus working capital of the subsidiary at such time. As at March 3, 2003, the owner of the non-controlling interest has not exercised this right.

(c) The Company is a defendant in a lawsuit relating to a development project where the damages claimed by the plaintiffs are still unknown. The litigation is in its preliminary stages and neither the outcome nor the potential liability, if any, is determinable at this time.

(d) Various other lawsuits involving the Company are pending. Actual liabilities or recoveries of deposits with respect to these lawsuits are not determinable, but management believes, based on counsels' opinions, that any potential liabilities or shortfall on recoveries of deposits will not materially affect the Company's financial position.

13. Income taxes:

(a) The major factors which caused variations from the Company's expected federal and provincial income tax rate of 40% for 2002 and 2001 were as follows:

(expressed in thousands of dollars)	*2002*	*2001*
Statutory rate applied to loss from continuing operations before income taxes	$(742)	$(1,479)
Large corporations tax	234	270
Non-controlling interest	126	38
Benefit related to current year's losses not recognized	818	1,206
Other	(202)	235
	$ 234	$ 270

(b) The tax effects of temporary differences that give rise to future tax assets and future tax liabilities at December 31, 2002 and 2001 are presented below:

(expressed in thousands of dollars)	*2002*	*2001*
Future tax assets:		
Non-capital loss carry forwards	$ 12,710	$12,525
Write-down of marketable securities for accounting	93	96
Financing fee deducted for accounting	268	456
	13,071	13,077
Valuation allowance	(11,422)	11,523
Net future tax assets 1,649 1,554		
Future tax liabilities:		
Properties	1,649	1,554
Net future tax asset/(liability)	$ –	$ –

(c) At December 31, 2002 the Company has non-capital loss carry forwards for income tax purposes of approximately $38,672,000 (2001 – $36,627,000), of which approximately $8,482,000 (2001 – $8,482,000) are of restricted use. These losses are available to offset future taxable income through 2009.

14. Financial instruments:

(a) Fair value:

The Company has the following financial instruments: cash, accounts and mortgages receivable, bank indebtedness, accounts payable and accrued liabilities, obligations under capital leases, debt on ice rinks, notes and agreements payable and interest rate swaps. The carrying values of cash, accounts and mortgages receivable, bank indebtedness and accounts payable and accrued liabilities are considered by management to approximate their fair values due to the short-term nature of these financial assets and liabilities. Other financial instruments of a longer term nature may be impacted by changes in market yields which can result in differences between their carrying value and their market value. Management estimates that these differences are not material to the financial statements.

The Company has entered into swap agreements to fix the interest rate on a portion of its variable rate debt. The Company has $4,250,000 of variable rate debt swapped into a fixed interest rate of 5.54% per annum, plus applicable stamping fees at 220 bps, under an agreement expiring in 2004. The fair market value of the swap agreement is less than its carrying value at December 31, 2002 by $156,000.

(b) Interest rate risk:

The terms of the Company's outstanding debt are described in notes 6, 8 and 9. As certain of the Company's debt instruments bear interest at floating rates, fluctuations in these rates will impact the cost of financing incurred in the future.

(c) Credit risk:

The Company does not face any material concentrations of credit risk other than the note receivable of $1,000,000.

15. Related party transactions:

(a) The Company incurred $268,000 (2001 – $161,000) in interest expense related to the notes payable to the controlling shareholder (note 9) and fees of $162,000 (2001 – $205,000) related to loan guarantees provided by the shareholder.

(b) During the year, the Company paid $76,000 (2002 – $35,000) in directors' fees.

16. Discontinued operations:

Effective December 31, 1998, the Company adopted formal plans to discontinue its real estate activities. The real estate activities have been reflected in the consolidated financial statements and notes thereto on a discontinued basis.

The results of discontinued operations are as follows:

(expressed in thousands of dollars)	*2002*	*2001*
Revenue:		
Development	$694	$ 2,521
Expenses:		
Development	110	3,333
Gain (loss) from discontinued operations	$584	$ (812)

The remaining assets and liabilities related to discontinued operations are as follows:

(expressed in thousands of dollars)	*2002*	*2001*
Amounts and mortgages receivable	$ –	$ 411
Development properties	–	630
	$ –	$1,041

The cash flows from discontinued operations are as follows:

(expressed in thousands of dollars)	*2002*	*2001*
Operations	$625	$ 3,131
Financing	–	(2,138)
	$625	$ 993

17. Segmented information:

The Company's continuing operations consist of the operation of full service ice rink facilities primarily in Canada, which constitute a single operating segment.

Ice rink revenue by services provided are as follows:

(expressed in thousands of dollars)	*2002*	*2001*
Facility operations	$28,876	$26,901
Restaurant and lounge	9,042	9,162
Sports store	2,513	2,529
Other	1,876	1,181
	$42,307	$39,773

There is no single customer who accounts for 10% or more of the Company's revenue.

Five Year Review 2002: Balance Sheet

(in thousands of dollars)	*2002*	*2001*	*2000*	*1999*	*1998*
Assets					
Ice rink properties	$96,757	$ 99,122	$ 98,897	$107,118	$107,858
Other revenue property	–	–	–	1,593	1,627
Other	8,728	6,625	6,758	8,440	11,141
Discontinued operations	–	1,041	5,697	9,451	44,633
Total assets	$105,485	$106,788	$111,352	$126,602	$165,259
Liabilities					
Ice rink properties	$53,943	$ 55,539	$ 55,177	$ 59,031	$ 62,291
Other revenue property	–	–	–	–	128
Convertible debentures	–	–	–	6,901	7,841
Other	23,717	21,920	20,170	25,241	25,299
Discontinued operations	–	–	2,307	7,394	34,405
Total liabilities	$77,660	$ 77,459	$ 77,654	$ 98,567	$129,964
Convertible debentures and shareholders' equity					
Convertible debentures	–	$ –	$ –	$13,099	$12,159
Share capital	54,981	54,981	54,981	44,592	44,592
Retained earnings (deficit)	(27,156)	(25,652)	(21,283)	(29,656)	(21,456)
Total equity	27,825	$ 29,329	$ 33,698	$ 28,035	$ 35,295
Statistics					
Debt to equity ratio	2.75	2.59	2.26	3.46	3.63
Issued shares at end of year	93,326	93,326	93,326	12,957	12,957
Average shares outstanding	93,326	93,326	26,609	12,957	12,957
Earnings (loss) per common share:					
Earnings (loss) from continuing operations:					
Basic	(0.02)	($0.04)	($0.14)	($0.55)	($0.50)
Fully diluted	n.a.	n.a.	n.a.	n.a.	n.a.
Net earnings (loss):					
Basic	(0.02)	($0.05)	($0.18)	($0.63)	($2.18)
Fully diluted	n.a.	n.a.	n.a.	n.a.	n.a.
Share price range	$0.04-0.08	$0.09-0.01	$0.50-0.09	$0.99-0.31	$2.74-0.99

Five Year Review 2002: Earnings Statement

(in thousands of dollars)	*2002*	*2001*	*2000*	*1999*	*1998*
Revenue					
Ice rinks	$ 42,307	$ 39,773	$ 39,080	$ 39,621	$ 35,825
Other	–	–	448	318	473
Total revenue	42,307	39,773	39,528	39,939	36,298
Operating expenses					
Ice rinks	33,613	31,563	31,721	32,256	28,633
Other	–	–	186	199	132
General and administrative	2,458	2,498	2,699	2,675	2,776
	36,071	34,061	34,606	35,130	31,541
Earnings before interest, amortization and taxes	6,236	5,712	4,922	4,809	4,757
Other expenses					
Interest	4,247	5,201	6,381	7,020	6,665
Amortization	3,598	3,638	3,765	3,838	3,593
Other	479	430	(1,475)	143	173
	8,324	9,269	8,671	11,001	10,431
Loss from continuing operations	(2,088)	(3,557)	(3,749)	(6,192)	(5,674)
Results of discontinued operations	584	(812)	(977)	(1,068)	(21,747)
Net loss	$ (1,504)	$ (4,369)	$ (4,726)	$ (7,260)	$ (27,421)
Interest on convertible debentures	$ –	$ –	$ (341)	$ (940)	$ (864)

Corporate Information

Directors

D.C. Andrews
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D.C. Andrews Corporation, Vancouver, BC

W. Grant Ballantyne
President & C.E.O.
Canlan Ice Sports Corp., Vancouver, BC

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Partner
Kinetic Capital Partners

Geoffrey J. Barker
Vice-President, Properties & Development
Bartrac Holdings Ltd., Vancouver, BC

Edwin Cohen
Private Investor
Toronto, ON

William B. Pattison
Faculty of Business
University of Victoria, Victoria, BC

Sam Magid
Head of Institutional Equity
Salman Partners Inc., Vancouver, BC

Officers

Frank D. Barker
Chairman

W. Grant Ballantyne
President & C.E.O.

Patrick J. Doyle
Vice-President, Development

Michael F. Gellard
Vice-President, Finance and
Chief Financial Officer

Arthur Dickson
Vice-President, Sales & Marketing

Joey St. Aubin
Vice-President, Eastern Operations

William Channing
Vice-President, Adult Safe Hockey League Operations

Ivan Wu
Controller

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