



# 2014 ANNUAL REPORT



A high performance  
industry leader,  
**passionately committed**  
to providing exceptional  
customer experiences,  
every time.





<b>04</b>	Letter to Shareholders
<b>06</b>	Facility Locations
<b>10</b>	Financial Highlights
<b>11</b>	Management's Discussion and Analysis
<b>33</b>	Independent Auditors' Report
<b>35</b>	Consolidated Financial Statements
<b>67</b>	Five Year Review
<b>68</b>	Corporate Information



# Letter to Shareholders

The growth expectations for 2014, set last year as we took 6 ice surfaces off line for remediation, became a reality. We asked our customers to be patient while we made the necessary changes to some of our older facilities and they supported our efforts and responded by coming back in larger numbers. These increases resulted in higher revenue by \$2.9M or 4% compared to prior year and \$3.5M or 4.8% on a same store basis. EBITDA grew by \$1.3M or 13.2% on a year over year basis, all while completing a \$1.8M renovation project on our indoor soccer field at Burnaby 8 Rinks, taking that surface off line during the Spring & Summer season.

As we continue to focus on maximizing utilization in our Fort Wayne, Indiana facility, which was operated under a long term lease agreement, we chose to exercise our option to purchase this 3-pad recreation facility. This purchase had many underlying benefits and further demonstrates our long term commitment to growing our business in the United States.

I'm extremely pleased with the course we are on. Our Ice Sports business is stronger than it's ever been and our Sportsplex portfolio is gaining momentum. In the latter part of 2014 we added our first Sportsplex Management contract in Fort Wayne, Indiana and at the front end of 2015 we acquired a beautiful Sportsplex facility in Lake Barrington, Illinois. Our approach of lease, management and ownership in the Sportsplex strategy is a mirror image of our Ice Sports business and the results are showing that our knowledge and experience in facility operations and programming is a great match for the Sportsplex recreational sports on court and turf.

Our key focus remains on giving our customers exceptional experiences each and every time they visit our facilities. Our team has worked extremely hard in the area of innovation to come up with new and exciting ways to bring greater value to our customers. In our partnership with Hockey Canada, the ASHL is the only adult recreational hockey league that offers a loyalty program that gives its members a way to subsidize the cost of playing adult recreational hockey.

We designed new online tools to help teams manage their finances and their schedules, and we have been working closely with our partners at Molson Coors Canada to bring our customers world class promotions like the Winter Classic in Washington, DC and the Mountain Top rink experience in the mountains of British Columbia. While the game is played on the ice, we understand that our customers expect a well-rounded experience on and off the ice and for this reason we continue to look for ways to improve their experience when playing at our facilities.

With a solid record in customer and employee retention, our focus on service and our ability to innovate, I'm confident we will continue to provide industry leading returns for our investors. Our Board of Directors is as equally confident and continue to support our quarterly dividend policy of \$0.02 per share.

On behalf of the Executive Team and our Board of Directors, I wish to thank our customers for their patience through the remediation projects and for sharing their positive experiences with others. Our employees are passionate and dedicated and are to be commended for all of the great work they do. Thank you to our partners for standing with us and you, our shareholders, for your ongoing support.

Sincerely,



**Joey St-Aubin**  
*President & Chief Executive Officer*



# Geographic Overview of Facility Locations



# Portfolio at a Glance

## CANADA

PROVINCE	METROPOLITAN AREA	FACILITY NAME	FACILITY FEATURES
British Columbia	Greater Vancouver Area	Burnaby 8 Rinks	7 ice rinks & 1 indoor soccer field
		Ice Sports North Shore	3 ice rinks
		Ice Sports Langley Twin Rinks	2 ice rinks
	Interior British Columbia	South Cariboo Recreation Centre	1 ice rink
		Armstrong/Spallumcheen Parks & Recreation	1 ice rink & 1 outdoor pool
Saskatchewan	Saskatoon	Ice Sports Jemini Ice Sports Agriplace	4 ice rinks 2 ice rinks
Manitoba	Winnipeg	Ice Sports Winnipeg	3 ice rinks & 1 indoor soccer field
Ontario	Greater Toronto Area	Ice Sports Etobicoke	4 ice rinks
		Ice Sports Oakville	4 ice rinks
		Ice Sports Scarborough	4 ice rinks
		Ice Sports Victoria Park	2 ice rinks
		Ice Sports York	6 ice rinks
		Ice Sports Oshawa Canlan Sportsplex Mississauga	2 ice rinks 2 multi-sport courts
Quebec	Montreal	Les 4 Glaces	4 ice rinks

## USA

STATE	METROPOLITAN AREA	FACILITY NAME	FACILITY FEATURES
Illinois	Chicago	Ice Sports Romeoville	3 ice rinks
		Canlan Sportsplex Lake Barrington	1 soccer field (FIFA size), 2 baseball diamonds, 2 multi-sport gymnasiums 1 fitness gym
Indiana	Fort Wayne	SportONE/Parkview Icehouse	3 ice rinks
		SportONE/Parkview Fieldhouse	2 multi-sport gymnasiums

Owned Property   Leased Property   Managed Property   Operating Agreement

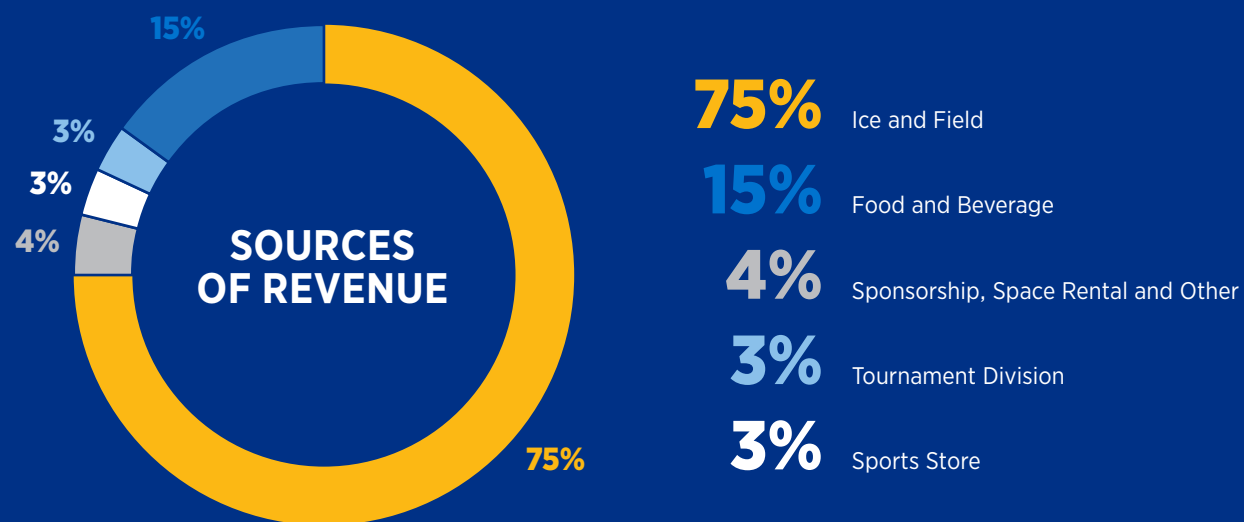




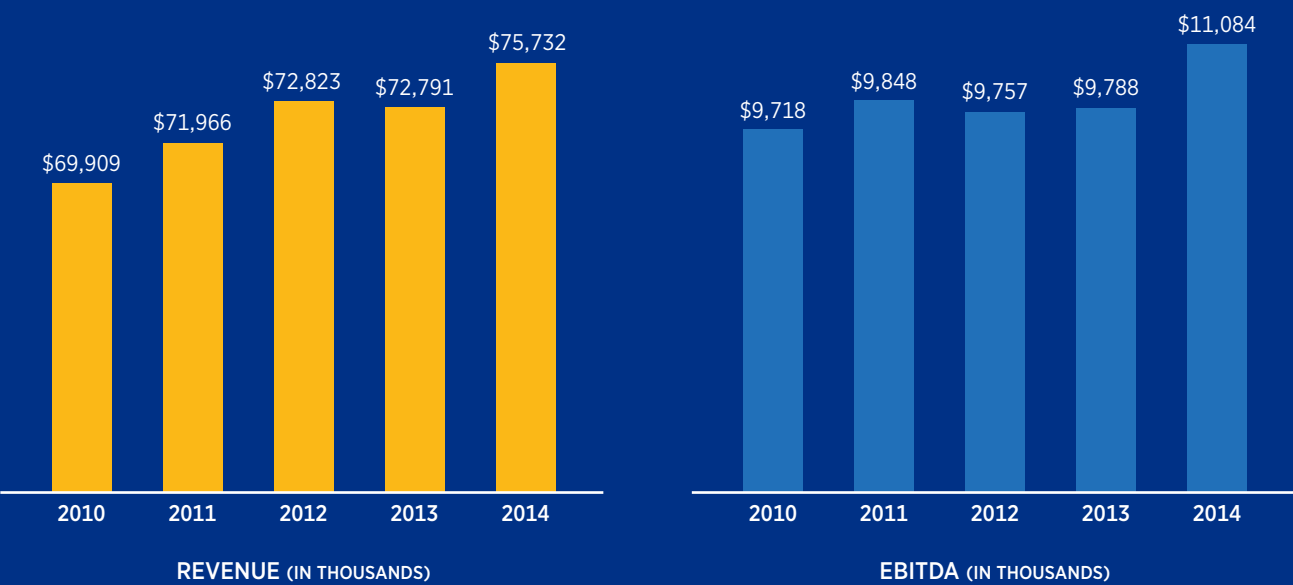
High energy,  
action-oriented  
culture, focused on  
exceptional service.



# Financial Highlights



IN THOUSANDS, EXCEPT PER SHARE INFORMATION	2014	2013	2012
Revenue	75,732	72,791	72,823
Earnings before interest, taxes, depreciation and amortization (EBITDA)	11,084	9,788	9,757
Net earnings before taxes	1,801	1,689	2,287
Net earnings	896	1,096	1,295
Total assets	118,022	105,561	102,824
Shareholders equity	44,785	44,956	44,927
Earnings per common share	\$0.07	\$0.08	\$0.10
Shareholders equity per share	\$3.36	\$3.37	\$3.37
Weighted average common shares	13,337,448	13,337,448	13,337,448



# Management’s Discussions and Analysis

The following management discussion and analysis (MD&A) summarizes significant factors affecting the consolidated operating results and financial condition of Canlan Ice Sports Corp. (“Canlan”, “the Company”, “we” “our” or “us”) for the years ended December 31, 2014 and 2013. This document should be read in conjunction with our audited consolidated financial statements for the years ended December 31, 2014 and 2013 and accompanying notes. The results reported herein have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and are presented in Canadian dollars.

In the following discussion, we define EBITDA as earnings before interest, taxes, depreciation and amortization. In addition, the term free cash flow is used, which we calculate as cash flow from operations less capital expenditures minus any proceeds from the disposition of capital assets. However, EBITDA and free cash flow are not terms that have specific meaning in accordance with IFRS, and may be calculated differently by other companies. The Company discloses EBITDA and free cash flow because these are useful indicators of operating performance and liquidity.

Additional information relating to our Company, including quarterly reports and our annual information form, is filed on SEDAR and can be viewed at [www.sedar.com](http://www.sedar.com) and our website [www.icesports.com](http://www.icesports.com).

The date of this MD&A is March 23, 2015.

### Forward Looking Statements

Certain statements in this MD&A may constitute “forward looking” statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. When used in this MD&A, such statements may use such words as “may”, “will”, “expect”, “believe”, “plan” and other similar terminology. These statements reflect

management’s current expectations regarding future events and operating performance and speak only as of the date of this MD&A. These forward looking statements involve a number of risks and uncertainties. Some of the factors that could cause actual results to differ materially from those expressed in or underlying such forward looking statements are the effects of, as well as changes in: international, national and local business and economic conditions; political or economic instability in the Company’s markets; competition; legislation and governmental regulation; and accounting policies and practices. The foregoing list of factors is not exhaustive. Except as required by law, the Company disclaims any intention or obligation to update or revise any forward-looking statements.

### Overall Performance

#### 2014 HIGHLIGHTS:

- Total revenue of \$75.7 million increased by \$2.9 million or 4.0% compared to 2013; same store revenue increased by \$3.5 million or 4.8%;
- EBITDA of \$11.1 million increased by \$1.3 million or 13.2% compared to 2013;
- Net income before tax of \$1.8 million increased by \$0.1 million or 6.6% compared to 2013;
- Q4 revenue of \$21.9 million (a record high since Canlan began focusing on recreation in 1998) increased by \$0.9 million or 4.4% compared to the prior year;
- The Company completed a \$1.8 million renovation of the indoor soccer field at Burnaby 8 Rinks on time and on budget;
- The Company exercised its option to purchase a three-pad recreation facility in Fort Wayne, Indiana for US\$9.3 million. This facility was previously operated under a long-term lease; and
- A significant portion of debt was refinanced at favourable terms.



Same Store Analysis:

Beginning on January 1, 2014, the management contract of one ice rink facility in British Columbia was adjusted such that Canlan earns a fixed fee for management services that is recorded as management fee revenue each month. In prior years, the management contract was structured such that Canlan earned the profit or loss from the facility’s operations; therefore, revenue of \$0.5 million and expenses of \$0.4 million for the year ended December 31, 2013 from this facility were included in the Company’s consolidated statement of earnings in the prior year. This MD&A will refer to same store results for this purpose.

Business of the Company

Canlan Ice Sports Corp. is a leading operator of recreational and entertainment facilities. The Company’s first venture into the ice rink industry was in 1986, when it acquired a facility known as Columbia 4 Rinks located in Burnaby B.C. This facility was expanded in 1995 to an eight-rink facility, which is now known as Burnaby 8Rinks. The Company’s head office is located in the Burnaby facility and it maintains a second corporate office at its Ice Sports York location in Toronto, Ontario. We currently have approximately 1,100 full time and part time employees working in our facilities and two corporate offices.

As at the date of this MD&A the Company owns, leases or manages a network of 20 facilities in Canada and the United States containing playing surfaces as outlined below. The Company owns 12 of these facilities containing 1.4 million square feet of space situated on 157 acres of land; we operate one facility under a long-term land lease arrangement, one facility under an agreement with a municipality and a further three facilities under operating leases. We also currently manage two facilities on behalf of municipalities, and one facility on behalf of third parties.

We operate primarily in the sports and recreation industry, with a focus on ice, turf and court sports. Our largest single revenue source within this segment is adult hockey, catering to both men and women operating under the Adult Safe Hockey League (ASHL) brand. Approximately 44% of our ice revenue is provided by the ASHL.

Our total facility count, including all owned, leased and managed properties, is as follows:

	NUMBER OF FACILITIES	SURFACES
2014	20	81
2013	18	68
2012	20	70
2011	20	66
2010	21	67

A more detailed summary of the locations of our facilities is as follows:

CANADA					
	FACILITIES	ICE SURFACES	INDOOR TURF FIELDS	COURTS*	TOTAL PLAYING SURFACES
British Columbia	5	14	1	–	15
Saskatchewan	2	6	–	–	6
Manitoba	1	3	1	–	4
Ontario	7	22	2	9	33
Quebec	1	4	–	–	4
	16	49	4	9	62
USA					
Illinois	2***	3	1**	4	8
Indiana	2	3	–	8	11
	4	6	1	12	19
	20	55	5	21	81

\* Includes 11 indoor volleyball courts, 4 outdoor beach volleyball courts and 2 sport courts  
\*\* This is a FIFA regulation field  
\*\*\* One of the facilities in Illinois was purchased on January 30th, 2015.

About Canlan

Canlan is a publicly traded Canadian Company with shares listed on the Toronto Stock Exchange (TSX) under the trading symbol ICE. Canlan’s shares were first listed for trading on the TSX on March 1, 1990.

There are 13,337,448 shares outstanding that have traded in the \$3.10 to \$3.41 range since December 31, 2014. The Company has not issued any shares since November 2004. The Company derives revenue from seven primary categories:

- 1. ICE AND FIELD SALES  
Revenue from ice and field rentals (together called “ice rentals” or “ice sales”), and internal programming.
- 2. FOOD AND BEVERAGE  
Sales from our licensed restaurants and concession operations inside our facilities.
- 3. SPORTS STORES  
Sales and rental of sports equipment and apparel, and skate sharpening services.
- 4. TOURNAMENT OPERATIONS  
Registrations in youth and adult tournaments organized by our Tournament Division.
- 5. MANAGEMENT AND CONSULTING  
Fees from managing facilities owned by third parties and consulting engagements completed by our Partnership Solutions Division.
- 6. SPONSORSHIP  
Revenue from sponsorship and advertising sales.
- 7. SPACE RENTAL  
Rental of space inside our facilities.

Vision, Core Business and Strategy

Canlan will strive to be: “A high performance industry leader, passionately committed to providing exceptional customer experiences, every time.”

The Company’s goal is to leverage its position in the North American recreation industry by continuing to focus on both organic growth and expansion through acquisition and long term lease. While our largest single market segment is adult recreational hockey leagues, we are focused on increasing utilization in other important segments including

skating and hockey schools, soccer programs, court sports such as volleyball and ball hockey, specialty sports leagues and camps, and hockey tournaments. By providing quality products and services in clean, safe facilities, we still have capacity to grow our existing revenue base by providing value added services to our customers. At the same time, we actively seek opportunities to expand our business through acquisition, partnership solutions with third parties, or leasing facilities. Expansion objectives are to achieve a high return on investment and penetrate strategic markets.

We have developed six critical success factors supported by specific project initiatives that help the organization reach our goals:

- 1. SALES AND MARKETING  
Cutting edge marketing that maximizes brand awareness, revenue and customer loyalty.
- 2. CUSTOMER EXPERIENCE  
Exceptional service delivered by well-trained and motivated staff, which results in consistently great experiences.
- 3. NEW VENTURES & INNOVATION  
Proactively seek out new opportunities that drive revenue and income growth.
- 4. OPERATIONAL EXCELLENCE  
Highly efficient and effective facility operations using industry-leading technology, streamlined process and consistent best practices.
- 5. PEOPLE & LEADERSHIP  
Strong leadership and highly dedicated people accountable for delivering outstanding customer experiences and business results.
- 6. CULTURE  
High energy action-oriented culture that has a strong foundation in team-work, pride, respect and accountability.

Management continues to focus on carrying out these initiatives that are connected with these critical success factors. Over the past five years, several new ventures have been established and operational improvements have been achieved through strategic capital investments.



The Marketplace and Our Competition

Canlan’s current marketplace is recreation, and we understand that we compete for market share with other sports and activities, some of which have lower participation costs. Our largest customer segment is adult hockey players. This segment of our business represents 44% of our total ice revenue from rentals and programming, or \$24.9 million. It also represents 33% of total revenue.

Canlan’s largest competition is from municipalities and private league operators. Local governments cater primarily to their constituents who are usually made up of minor hockey and other amateur user groups. There are many private league operators in Canada that purchase ice time from local rinks and run adult leagues, and in some markets, there have been private operators that have constructed new ice rink facilities and operate competing leagues that capture market share. However, Canlan has various competitive advantages, one of which is that we control the ice inventory in our facilities, enabling us to schedule ice times efficiently and provide quality ice times where deemed most appropriate. In addition, our adult hockey leagues offer a level of fair competition and service that helps retain customers. Finally, our facilities are generally full-service sports & entertainment centers where we incorporate retail and food & beverage services into the customers’ experience.

Competitive Strengths

The Company believes that it has the following competitive strengths:

OUR EMPLOYEES

Canlan currently has 1,100 full and part time dedicated employees in Canada and the USA. Through training and internal communications, we have established Canlan as the place to work in our industry and we attract skilled people in the industry. Our employees are focused on providing quality customer service and a safe environment.

ADULT SAFE HOCKEY LEAGUE (ASHL)

The Company operates one of the largest adult recreational hockey leagues in North America. The ASHL offers superior services and fair competition in a fun environment. It operates year-round and has approximately 66,000 players registered for the winter and summer seasons in various divisions based on skill and age.

GEOGRAPHIC COVERAGE

Canlan currently owns and operates facilities in five provinces in Canada and two U.S. states giving us broad geographic coverage. Our geographic diversity and wide customer base help to mitigate the effects of economic cycles.

EXECUTIVE TEAM

Canlan’s executive team is comprised of nine individuals who are members of the management committee. This group plans and monitors operations in all departments, sets policies, as well as continually assesses future growth strategies. These individuals have extensive expertise in operations, sales, marketing, customer service, finance & accounting and human resources.

BUYING POWER

As a result of being geographically diversified, and having significant product volumes in a number of categories, we are able to negotiate national supply agreements for preferred pricing.

Selected Financial Information

The following selected consolidated financial information as at December 31, 2014, 2013, and 2012 and each of the quarters and years then ended has been derived from our 2014 and 2013 annual and interim consolidated financial statements. This data should be read together with those financial statements.

	(UNAUDITED) QUARTER ENDED DECEMBER 31		(AUDITED) YEAR ENDED		
IN THOUSANDS	2014	2013	2014	2013	2012
STATEMENT OF OPERATIONS DATA:					
Total revenue	\$ 21,888	\$ 20,959	\$ 75,732	\$ 72,791	\$ 72,823
Direct expenses <sup>(1)</sup>	(15,623)	(14,562)	(60,089)	(58,769)	(57,912)
General & administration expenses	(1,315)	(895)	(4,559)	(4,234)	(5,154)
EBITDA	4,950	5,502	11,084	9,788	9,757
OTHER EXPENSES:					
Depreciation	(1,677)	(1,510)	(6,132)	(5,633)	(5,112)
Finance costs	(701)	(620)	(2,532)	(2,371)	(2,381)
Gain on sale of assets	49	–	47	10	3
Foreign exchange gain (loss)	(345)	(45)	(666)	(105)	20
Taxes	(561)	(890)	(905)	(593)	(992)
Net Earnings	\$ 1,715	\$ 2,437	\$ 896	\$ 1,096	\$ 1,295
Basic and fully diluted earnings per share	\$ 0.13	\$ 0.18	\$ 0.07	\$ 0.08	\$ 0.10
BALANCE SHEET DATA					
Cash			\$ 13,534	\$ 10,080	\$ 12,900
Current assets (excluding cash)			4,550	3,849	3,403
Capital assets			98,252	89,971	84,954
Other assets			1,686	1,661	1,567
Total assets			\$ 118,022	\$ 105,561	\$ 102,824
Current liabilities, excluding debt			\$ 18,684	\$ 18,595	\$ 18,300
Mortgage debt			51,771	39,774	37,832
Equipment leases			1,811	1,459	1,186
Deferred tax liabilities			971	777	579
Total liabilities			73,237	60,605	57,897
Shareholders equity			44,785	44,956	44,927
			\$ 118,022	\$ 105,561	\$ 102,824
Dividends declared			\$ 1,067	\$ 1,067	\$ 1,000

<sup>(1)</sup> Direct expenses include all operating costs related to the operation of our facilities



Review of Fiscal 2014 Operations

REVENUE

Total revenue of \$75.7 million increased by \$2.9 million or 4.0% compared to 2013. Same store revenue increased by \$3.5 million or 4.8%. A portion of this overall revenue growth resulted from ice inventory returning to full capacity in 2014 as three facilities were at partial capacity during the summer of 2013 due to major renovation projects.

Approximately 75% or \$56.7 million (2013 - \$54.6 million) of the Company’s total revenue is generated from field and ice activities. In-house programming accounts for approximately 72% of this revenue source and gives us a distinct advantage over third-party rentals because it enables us to manage ice and field inventory based on demand, which results in increased margins. Canlan’s largest internal program is the Adult Safe Hockey League.

THE ADULT SAFE HOCKEY LEAGUE

The Adult Safe Hockey League (“ASHL”) operates in two seasons: 1) the fall/winter season from September to April and; 2) the spring/summer season from May to August.

In 2014, the ASHL generated revenue of \$24.9 million compared to \$24.1 million in 2013, which represents an increase of \$0.8 million or 3.5%. Aside from the return to full ice capacity as discussed above, ASHL registrations also grew from the operation of a new satellite league run by one of our Ontario facilities. Satellite leagues are Canlan’s ASHL leagues that operate in third-party facilities.

The ASHL continues to experience competition from other league and rink operators, but management continues to focus on enhancing the experience of players, whether it be the team administration process, game play, playoff formats, or post-game social networking. This is critical to maintaining our position as leaders in the adult recreation hockey market.

THE YOUTH HOCKEY LEAGUE AND 3 ON 3

In addition to the ASHL, Canlan also operates a variety of youth leagues in the spring and summer seasons. These leagues are designed for minor hockey players who wish to continue playing after the regular fall/winter season ends. We offer both the traditional “5 on 5” formats through the Youth Hockey League, as well as a “3 on 3” league for those players looking for more speed in the game.

In the U.S. locations, our facilities are associated with minor hockey organizations in their local communities and revenues are earned from a combination of ice rentals to minor hockey associations, and registration fees for youth hockey teams and programs that we operate internally.

Youth hockey league revenue of \$3.6 million increased by \$0.4 million or 10.7% compared to 2013 partly due to ice inventory returning to full capacity in 2014 and the continuous growth of the youth hockey league in various markets.

CAMP CANLAN, HOCKEY AND SKATING ACADEMIES

Canlan offers a variety of developmental programs through our branded Camp Canlan and Hockey and Skating Academies. Camp Canlan operates primarily in the summer months and is directed at the youth market, with a focus on hockey skills development and fun activity in various other sports.

Hockey and Skating Academies for adult and youth operate throughout the year and weekly classes are held to teach everything from learn-to-skate and figure skating, to power skating and team tactics. The growth opportunities of these programs are concentrated in the summer season when ice inventory is available and the youth population is generally not in school.

In 2014 we had approximately 34,000 participants (2013 – 33,000) in these programs and generated \$6.9 million in gross revenue; an increase of \$0.7 million or 11.4 % from \$6.2 million in 2013.

CONTRACT ICE RENTALS

After providing the necessary allocation of ice times to operate our in-house programs, we rent ice to third parties. Contract users are required to sign seasonal contracts and are charged a fixed hourly rate. The ice time is used by private groups, minor hockey associations, third party tournaments and camp operators as well as some adult leagues. Overall, third party contracts accounted for \$15.7 million in 2014; an increase of \$0.6 million or 4.2% from \$15.1 million in 2013.

SOCCER

Canlan operated four indoor soccer fields during 2014, one in Burnaby built in 2000, one in Winnipeg, built in 2006 and two in Canlan Sportsplex Ontario built in 2012. Our approach to increasing the utilization of these synthetic turf fields is similar to how we approach the ASHL. We have developed successful indoor soccer leagues at both Burnaby and Winnipeg facilities that consume all evening times. Since the launch of Canlan Sportsplex, the size of the league and contract revenue from soccer has continued to grow every year. The Adult Indoor Soccer League (“AISL”) has over 8,000 players registered in these locations and the league operates in two separate seasons during the year, with a similar business plan to the ASHL.

Total soccer revenue of \$1.7 million for the year remained consistent with 2013 despite shutting down the soccer field in Burnaby during the summer season for a major renovation. The decrease in revenue from Burnaby is mostly offset by the increase in revenue from Canlan Sportsplex.

Revenue generated from activity on our ice rinks and soccer fields are broken down as follows:

	2014		2013	
IN THOUSANDS	REVENUE	% OF TOTAL	REVENUE	% OF TOTAL
Adult hockey leagues	\$ 24,922	44	\$ 24,073	44
3rd party contract users	15,704	28	15,068	27
Hockey & skating schools	6,936	12	6,224	12
Youth hockey leagues	3,620	6	3,270	6
Public programs & spot rentals	3,245	6	3,214	6
Soccer field rentals & leagues	1,658	3	1,660	3
In-house tournaments	273	-	282	-
Other	331	1	820	2
	\$ 56,689	100	\$ 54,611	100

FOOD & BEVERAGE (F&B)

Revenue from our 16 restaurant and concession operations was \$11.6 million in 2014, compared to \$11.0 million 2013.

The overall increase in sales of \$0.6 million or 5.1% was consistent with the increase in ice and field revenue which generates additional traffic in the facilities. Most of the increase was contributed by the Prairie, Quebec, Ontario and U.S. facilities.

Food and beverage sales accounted for 15% of total revenue which is consistent with 2013.

We operate all our restaurants in-house, under the Thirsty Penguin brand, to ensure our customers receive quality products and service. The product mix between food sales and liquor sales, which was 56% and 44% respectively, remained relatively consistent with 2013. The main drivers for F&B revenue are adult league players and tournament traffic that play in our venues. Management is focusing on menu offerings, pricing, loyalty program and promotional programs to improve customer loyalty in our restaurants.

SPORTS STORES

During the year, Canlan operated eight sports stores that sell equipment, apparel, and skate sharpening services in our buildings. The Company rents to third party store operators under long term leases in another five facilities. Our sports stores generated \$2.2 million in gross sales in 2014, compared to \$2.1 million in 2013. Sports store revenue represents 3% of total revenue. Skate sharpening revenue was \$0.5 million, unchanged from 2013.

MANAGEMENT CONTRACTS

Management services revenue is comprised of fees for managing ice rink facilities on behalf of owners and one-time consulting engagements. Management fee revenue of \$0.2 million was generated in 2014 which was consistent with 2013. Currently we have three active management contracts.

TOURNAMENT OPERATIONS

Canlan’s Tournament Division is focused on maintaining a high level of in-house tournament business in the seasonally slow summer months, thereby reducing our reliance on third party tournament operators. Revenue generated from this division of \$2.3 million, increased by \$0.1 million or 4.7% from \$2.2 million in the prior year. While the majority of the CCT events are held in Canlan facilities, which increases the utilization of our ice, the division also holds a number of destination tournaments in third party arenas.

SPONSORSHIP AND SPACE RENTAL

In many facilities, we rent space to complimentary types of businesses and we also sell advertising space to third party sponsors as ancillary sources of revenue. Sponsorship and space rental revenue of \$2.0 million remained relatively consistent with prior year.

OTHER REVENUE

Other revenue of \$0.7 million in 2014 remained steady with 2013. Other revenue includes commissions received on all vending machines in our facilities plus fees Canlan earns from the registration and operation of affiliate adult recreation hockey leagues across Canada. These affiliate leagues are not part of the ASHL but are members of Canlan’s Adult Safe Hockey Network.



REVENUE BY BUSINESS SEGMENT AND GEOGRAPHIC REGION

2014			2013	
IN THOUSANDS	SALES	% OF TOTAL	SALES	% OF TOTAL
Ice and field sales	\$ 56,689	75	\$ 54,611	75
Food and beverage	11,616	15	11,050	15
Sports store	2,179	3	2,062	3
Tournament division	2,279	3	2,176	3
Sponsorship	1,276	2	1,221	2
Space rental	767	1	768	1
Management fees & consulting	201	-	180	-
Other	725	1	723	1
	\$ 75,732	100	\$ 72,791	100

2014			2013	
IN THOUSANDS	SALES	% OF TOTAL	SALES	% OF TOTAL
CANADA				
British Columbia	\$ 16,956	23	\$ 17,077	24
Alberta	-	-	89	-
Saskatchewan	6,738	9	6,185	8
Manitoba	4,331	6	3,964	5
Ontario	37,228	49	36,137	50
Quebec	4,897	6	4,487	6
	70,150	93	67,939	93
USA	5,582	7	4,852	7
	\$ 75,732	100	\$ 72,791	100

REVENUE BY QUARTER

The Company recorded the following revenue by quarter in 2014. The revenue stream is somewhat seasonal with 57% of the Company’s revenue being generated in the fall and winter months (first and fourth quarters) and 43% in the spring and summer season (second and third quarters).

2014			2013	
IN THOUSANDS	REVENUE	% OF TOTAL	REVENUE	% OF TOTAL
Q1	\$ 21,198	28	\$ 20,661	28
Q2	16,480	22	16,078	22
Q3	16,166	21	15,093	21
Q4	21,888	29	20,959	29
	\$ 75,732	100	\$ 72,791	100

DIRECT OPERATING COSTS

Total facility operating costs of \$60.1 million in 2014 increased by \$1.3 million or 2.2% compared to 2013. Same store operating costs increased by \$1.8 million or 3.1% compared to prior year. The increase is mainly due to an increase in labour costs, repair and maintenance expenses, and customer service expenses. Labour costs increased by \$0.7 million or 2.6% mainly due to annual wage increments in the normal course of business. Labour is our largest expense and represents 48% of our direct operating costs which was consistent with 2013. We continuously monitor labour rates to stay competitive in all markets. Three of our facilities are subject to collective agreements with two different unions.

Repair and maintenance expense increased by \$0.5 million or 13.4% from 2013 mainly due to higher costs incurred to repair plant equipment and parking lots, and to maintain the roof structure of our facilities.

Customer service expenses such as prizing, league statistics, camp supplies, etc, increased by \$0.2 million or 2.4% from 2013 mainly due to servicing a higher volume of customers.

Also included in operating costs are building and land lease payments related to four of our facilities. In 2014, rent payments of \$1.6 million decreased by \$0.2 million or 9.4% from 2013 mainly due to purchase of a previously leased facility in Fort Wayne, Indiana on September 2, 2014.

Facility operating costs are less seasonal than revenue, as our business does have a fixed cost component to it.

2014			2013	
IN THOUSANDS	COSTS	% OF TOTAL	COSTS	% OF TOTAL
Q1	\$ 14,574	24	\$ 14,782	25
Q2	15,174	25	15,205	26
Q3	14,718	25	14,220	24
Q4	15,623	26	14,562	25
	\$ 60,089	100	\$ 58,769	100

OPERATING MARGIN BEFORE GENERAL AND ADMINISTRATION EXPENSES

Operating margin is calculated as revenue less operating expenses expressed as a percentage of revenue. Operating margin for 2014 was 20.7% compared to 19.3% in 2013.

U.S. FACILITY OPERATIONS

In the United States, as at December 31, 2014, the Company operated two ice rink facilities; a three-pad facility in Fort Wayne, Indiana, and another three-pad building in Romeoville, Illinois.

On September 2, 2014, the Company exercised its option to purchase the three-pad recreation facility in Fort Wayne, Indiana for US\$9.3 million with the assistance of a US\$6.0 million vendor-take-back mortgage. This facility was previously operated under a long-term lease.

The facility in Romeoville, a suburb of Chicago, was purchased in June 2011. The performance of this facility has met management’s expectations and the facility continues to grow sales from ASHL, youth leagues, and third-party contracts.

During 2014, total revenue from US ice operations of US\$5.0 million increased by US\$0.3 million or 14.6%.

Fundamentally, operating ice rink facilities in the US is similar to Canada; however, there is a general difference in product mix that is very specific to a particular market.

Subsequent to December 31, 2014, we added two multi-sports facilities to our portfolio. One of the facilities is located in Fort Wayne, Indiana that contains eight volleyball courts or two full sized basketball courts. This facility is operated under a management contract.

The other new facility is located in Lake Barrington, Illinois that contains one 85,000 square feet FIFA-sized indoor turf field lined for multiple sports such as soccer, football, lacrosse and baseball. It also contains two double gymnasiums with a total of 40,000 square feet which accommodate four full-sized basketball or eight volleyball courts. This facility was purchased for US\$5.6 million on January 30, 2015.

The two additions to our portfolio align with our strategy of expansion to complement our core ice facilities with ‘non-ice’ sports and recreation.

GENERAL AND ADMINISTRATION EXPENSES

Corporate G&A expenses of \$4.6 million increased by \$0.3 million or 7.7% compared to 2013 mainly due to an increase in stock-based compensation expense of \$0.4 million compared to the previous year. Fair value changes of stock appreciation rights are based on market values of Canlan’s common stock that trades on the TSX. The Stock Appreciation Rights (SARs) plan was established in 2005 and made available to the Company’s executive management and directors. See [Liquidity and Capital Resources – Share Capital](#) below for further details.

The remainder of the G&A expense remained consistent with 2013. G&A expense represents 6% of total revenue in 2014, which was consistent with 2013.



G&A expenses throughout the year are as follows:

IN THOUSANDS	2014		2013	
	EXPENSE	% OF TOTAL	EXPENSE	% OF TOTAL
Q1	\$ 1,181	26	\$ 1,214	29
Q2	1,084	24	1,235	29
Q3	979	21	890	21
Q4	1,315	29	895	21
	\$ 4,559	100	\$ 4,234	100

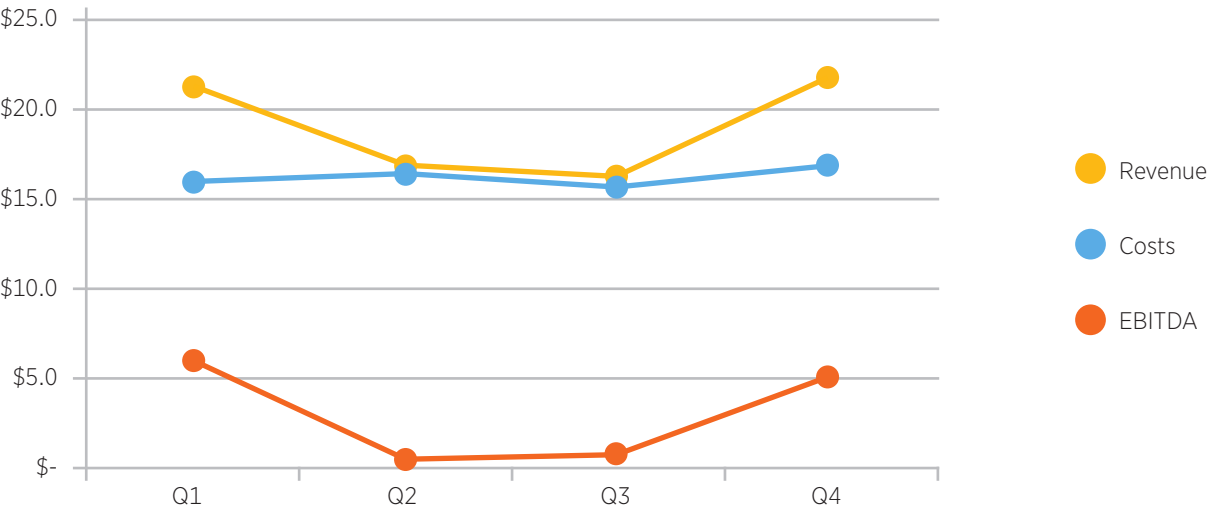
EBITDA

After accounting for ice rink operating costs of \$60.1 million (2013 - \$58.8 million) and G&A expenses of \$4.6 million (2013 - \$4.2 million), our EBITDA was \$11.1 million, an increase of \$1.3 million or 13.2% compared to 2013.

The Company's EBITDA by quarter was as follows:

IN THOUSANDS	2014		2013	
	EBITDA	% OF TOTAL	EBITDA	% OF TOTAL
Q1	\$ 5,443	49	\$ 4,665	48
Q2	222	2	(362)	(4)
Q3	469	4	(17)	-
Q4	4,950	45	5,502	56
	\$ 11,084	100	\$ 9,788	100

The seasonality of the Company's EBITDA is a direct result of seasonal revenue stream combined with a cost structure that is relatively fixed. This trend is illustrated as follows:



1 Non-IFRS measure – see explanation on page 9. See reconciliation to net income on page 22, and to cash flow on page 27.

GROSS MARGIN

Gross margin is calculated as revenue less operating and G&A expenses, expressed as a percentage of revenue. Gross margin for 2014 was 14.6% compared to 13.4% in 2013.

NON-OPERATING EXPENSES

DEPRECIATION

Depreciation expense was \$6.1 million in 2014 compared to \$5.6 million in 2013. The increase is consistent with the increase in property, plant and equipment that resulted from the major renovation project in the Burnaby facility completed during the year and the purchase of the previously leased facility in Fort Wayne, Indiana.

The Company's depreciation policy was unchanged during the year. The policy calls for straight-line depreciation of ice rink assets over periods ranging from five years to forty years.

FINANCE INCOME AND COSTS

Finance income and costs mainly consist of interest income earned on cash on hand, interest expense on mortgage debt and finance leases, and amortization of deferred financing costs.

Net finance costs were \$2.5 million compared to \$2.4 million in 2013.

A breakdown of our net finance cost is as follows:

IN THOUSANDS	2014	2013
Mortgage interest	\$ 2,387	\$ 2,207
Interest income	(92)	(73)
Equipment lease interest	92	118
Amortization of deferred financing costs and other	145	119
	\$ 2,532	\$ 2,371

At year end, the Company had interest bearing, mortgage secured debt totaling \$52.0 million (2013 – \$40.0 million).

The Company has fixed the interest rate on 54% of its mortgage debt, or \$27.9 million at a weighted average rate of 6.60%. Debt with variable interest rates consists of \$14.3 million at the Prime rate plus 0.75%, \$4.2 million at 30-day BA rate plus 2.0%, and \$5.6 million at LIBOR plus 2.50%.

Costs related to debt financing are amortized using the effective interest rate method in accordance with IFRS and classified as interest expense. In 2014 this amounted to \$100,000 compared to \$63,000 in 2013.

NET EARNINGS BEFORE INCOME TAXES

Net earnings before income taxes were \$1.8 million in 2014 compared to \$1.7 million in 2013.

TAXES

In 2014, the Company's Canadian operations generated positive taxable income that resulted in current tax expense of \$0.8 million (2013 - \$0.5 million) and deferred tax expense of \$0.1 million (2013 - \$46,000). On a combined basis, income tax expense was \$0.9 million compared to \$0.6 million in 2013. The increased tax expense is mainly due to higher Canadian taxable income earned in 2014.

Each year, management reviews assumptions regarding deferred income tax assets and liabilities to ensure that the reported balances appropriately reflect tax benefits available to offset future income taxes and future reversal of those benefits. The deferred tax assets and liabilities mainly resulted from the timing difference between tax and accounting depreciation, and the timing difference of deferred revenue.

Because U.S. operations have incurred losses during the past several years, there are non-capital losses from rink operations of approximately \$9.3 million carried forward that are available to offset future taxable income in the United States. However, this has not been recognized as deferred tax assets in the consolidated statement of financial position at December 31, 2014 because we have not yet developed a reasonably predictable pattern of profitability in U.S. operations.



NET EARNINGS

Net earnings after tax for the year ended December 31, 2014 was \$0.9 million or \$0.07 per share, compared to net earnings of \$1.1 million in 2013 or \$0.08 per share.

SUMMARY OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31 IN THOUSANDS			
	2014	2013	2012
Revenue	\$ 75,732	\$ 72,791	\$ 72,823
Expenses	60,089	58,769	57,912
Earnings from operations	15,643	14,022	14,911
General & administration	4,559	4,234	5,154
EBITDA	11,084	9,788	9,757
Other expenses (income)			
Depreciation	6,132	5,633	5,112
Gain on sale of assets	(47)	(10)	(3)
Foreign exchange (gain) loss	666	105	(20)
	6,751	5,728	5,089
Finance costs (income)			
Finance costs	2,643	2,462	2,537
Finance income	(111)	(91)	(156)
	2,532	2,371	2,381
Net earnings before taxes	1,801	1,689	2,287
Income tax expense			
Current	785	547	-
Deferred	120	46	992
	905	593	992
Net earnings	\$ 896	\$ 1,096	\$ 1,295
Operating margin before general & administration	20.7%	19.3%	20.5%
Administration as a percentage of revenue	6.0%	5.8%	7.1%
EBITDA as a percentage of revenue	14.6%	13.4%	13.4%

SUMMARY OF QUARTERLY RESULTS

The following tables present our unaudited consolidated quarterly results of operations for each of the last eight fiscal quarters. This data has been derived from our unaudited quarterly consolidated financial statements which are prepared on the same basis as our annual audited financial statements.

2014					
IN THOUSANDS	Q1	Q2	Q3	Q4	TOTAL
Gross revenue	\$ 21,198	\$ 16,480	\$ 16,166	\$ 21,888	\$ 75,732
Operating costs	(14,574)	(15,174)	(14,718)	(15,623)	(60,089)
	6,624	1,306	1,448	6,265	15,643
General & administration	(1,181)	(1,084)	(979)	(1,315)	(4,559)
EBITDA	5,443	222	469	4,950	11,084
Depreciation	(1,469)	(1,470)	(1,516)	(1,677)	(6,132)
Finance costs	(598)	(610)	(623)	(701)	(2,532)
Other	(52)	39	(310)	(296)	(619)
Net earnings (loss) before taxes and other	3,324	(1,819)	(1,980)	2,276	1,801
Income taxes	(866)	385	137	(561)	(905)
Net earnings (loss)	\$ 2,458	\$ (1,434)	\$ (1,843)	\$ 1,715	\$ 896
Earnings (loss) per share	\$ 0.18	\$ (0.11)	\$ (0.14)	\$ 0.13	\$ 0.07

2013					
IN THOUSANDS	Q1	Q2	Q3	Q4	TOTAL
Gross revenue	\$ 20,661	\$ 16,078	\$ 15,093	\$ 20,959	\$ 72,791
Operating costs	(14,782)	(15,205)	(14,220)	(14,562)	(58,769)
	5,879	873	873	6,397	14,022
General & administration	(1,214)	(1,235)	(890)	(895)	(4,234)
EBITDA	4,665	(362)	(17)	5,502	9,788
Depreciation	(1,305)	(1,357)	(1,461)	(1,510)	(5,633)
Finance costs	(588)	(561)	(602)	(620)	(2,371)
Other	(30)	(51)	31	(45)	(95)
Net earnings (loss) before taxes and other	2,742	(2,331)	(2,049)	3,327	1,689
Income taxes	(712)	566	443	(890)	(593)
Net earnings (loss)	\$ 2,030	\$ (1,765)	\$ (1,606)	\$ 2,437	\$ 1,096
Earnings (loss) per share	\$ 0.15	\$ (0.13)	\$ (0.12)	\$ 0.18	\$ 0.08

Since 57% of our revenue is generated in the winter months while operating costs are relatively fixed, quarterly earnings fluctuate significantly during the year. The Company reported EBITDA of \$10.4 million in Q1 and Q4 combined, compared to EBITDA of \$0.7 million in Q2 and Q3. In terms of net earnings, the Company has generally reported net losses in the spring and summer months.



Review of Fourth Quarter 2014

In Q4, revenue of \$21.9 million, increased by \$0.9 million or 4.4% from 2013 and represents Canlan Ice Sports Corp.’s highest quarterly revenue level. Main drivers of the increase in revenue are incremental registrations from ASHL and soccer leagues, and higher sponsorship revenue.

Operating cost of \$15.6 million, increased by \$1.1 million or 7.3% from 2013. The increase was mainly due to labour expenses, repairs and maintenance cost, some of which were delayed from the summer season, utilities, and customer service expenses.

Operating earnings before G&A expenses was \$6.3 million during Q4 compared to \$6.4 million in 2013.

After recording G&A expenses of \$1.3 million, EBITDA was \$5.0 million compared to \$5.5 million in 2013. G&A increased by \$0.4 million or 46.9% compared to 2013 due to an increase of non-cash compensation expense related to the SARs program.

After recording finance costs, depreciation, and a loss on foreign exchange, totaling \$2.7 million, net earnings before taxes was \$2.3 million compared to \$3.3 million in the fourth quarter of 2013.

After adjusting for income taxes, net earnings were \$1.7 million or \$0.13 per share, compared to \$2.4 million or \$0.18 per share in 2013. A summary of Q4 results is as follows:

IN THOUSANDS	2014	2013
Gross revenue	\$ 21,888	\$ 20,959
Operating costs	(15,623)	(14,562)
	6,265	6,397
General & administration	(1,315)	(895)
EBITDA	4,950	5,502
Depreciation	(1,677)	(1,510)
Finance costs	(701)	(620)
Other	(296)	(45)
Net earnings before taxes and other	2,276	3,327
Income taxes	(561)	(890)
Net earnings	\$ 1,715	\$ 2,437
Earnings per share	\$ 0.13	\$ 0.18

Review of Assets

The total book value of the Company’s assets as at December 31, 2014 was \$118.0 million compared to \$105.6 million at December 31, 2013.

The table below summarizes the Company’s asset base:

IN THOUSANDS	2014	2013
Properties	\$ 97,682	\$ 89,401
Cash	13,534	10,080
Accounts receivable	2,781	2,333
Inventory	1,037	1,095
Prepaid expenses and other assets	1,110	848
Investment properties	570	570
Deferred tax assets	1,308	1,234
	\$ 118,022	\$ 105,561

Property, plant and equipment makes up 83% of our total asset base and is comprised of land, building and equipment. During the year, the Company completed a \$1.8 million renovation of the indoor soccer field at Burnaby 8Rinks to improve building structure and amenities. The refurbishment project is expected to improve plant and equipment efficiency. A further \$1.4 million of capital expenditures were incurred to renovate and improve our other facilities.

In addition, on September 2, 2014, the Company exercised its option to purchase a three-pad ice rink facility in Fort Wayne, Indiana for \$10.2 million (US\$9.3 million) with the assistance of a \$6.6 million (US\$6.0 million) vendor-take-back mortgage. This facility was previously operated under a long-term lease.

Investment properties remained consistent with prior year.

The increase of cash on hand at the end of 2014 compared to 2013 is mainly due to cash provided from operations and additional loans. The increase is partially offset by the cash used on capital expenditures and purchase of the facility in Fort Wayne.

Management estimates that normal annual capital expenditures required will be approximately \$3.0 million as part of our long term capital plan. However, when required, the Company will incur additional capital costs to more extensively refurbish and renovate building structures and ice rinks to provide customers with safe and high quality amenities.

Review of Liabilities and Shareholders’ Equity

The table below summarizes the Company’s capital structure:

IN THOUSANDS	2014	2013
Mortgages payable	\$ 51,771	\$ 39,774
Deferred revenue and customer deposits	11,333	11,216
Accounts payable	7,351	7,360
Capital leases	1,811	1,459
Deferred tax liabilities	971	777
Financial liability held for trading	-	19
	73,237	60,605
Shareholders’ equity	44,785	44,956
	\$ 118,022	\$ 105,561
Shareholders’ equity per common share	\$ 3.36	\$ 3.37

Total interest-bearing debt, which includes mortgages payable and capital leases totaled \$53.6 million as at December 31, 2014, compared to \$41.2 million at the end of fiscal 2013, a net increase of \$12.3 million. The increase was due to a combination of new loans for investment in a rink property, new capital leases on zamboni and refrigeration equipment, and repayments of principal on existing debt and capital leases. For financial statement presentation, our long-term debt is recorded net of related transaction costs, pursuant to the effective interest rate method of accounting for deferred financing costs.

MORTGAGES

At December 31, 2014, total loans consist of seven credit facilities maturing from 2018 to 2019. Combined annual debt service is approximately \$6.4 million including a principal portion of \$3.8 million in 2015.

Specific terms of the seven credit facilities are as follows:

Debt on Canadian facilities:

- \$30.0 million loan maturing on July 15, 2018, fixed interest at 6.79% per annum payable monthly. At December 31, 2014, the balance outstanding was \$21.0 million;
- \$15.0 million loan maturing on May 31, 2018, interest at Prime rate plus 0.75% per annum payable monthly. At December 31, 2014, the balance outstanding was \$14.3 million;
- \$4.7 million loan maturing on May 31, 2018, interest at the 30-day Canadian Bankers Acceptance rate plus 2.00% per annum, payable monthly. At December 31, 2014, the balance outstanding was \$4.2 million. This credit facility was used to finance capital expenditures related to specific capital projects in three of the Company’s recreation facilities;

Debt on U.S. facilities:

- \$5.4 million (US\$5.0 million) loan maturing on August 1, 2019, interest at LIBOR plus 2.5% per annum payable monthly. At December 31, 2014, the balance outstanding was \$5.6 million (US\$4.9 million). This loan is denominated in U.S. currency;
- \$6.6 million (US\$6.0 million) vendor-take-back mortgage maturing on September 1, 2019, fixed interest at 5.97% per annum payable monthly. At December 31, 2014, the balance outstanding was \$6.9 million (US\$5.9 million). This loan is denominated in U.S. currency;

Other Credit Facilities:

- \$1.7 million demand revolving loan maturing on May 31, 2018, interest at Prime rate plus 0.75% per annum. No amounts have been drawn on this loan to date. This credit facility provides available working capital if needed; and
- \$5.0 million committed revolving acquisition loan maturing on May 31, 2018, interest at Prime rate plus 0.75% per annum. No amounts have been drawn on this loan to date. This credit facility provides acquisition bridge financing if needed.

We are in full compliance with all our debt covenants as at December 31, 2014 and we expect to continue to be in compliance during the coming fiscal year.

On January 30, 2015, we completed the purchase of a recreation facility in Lake Barrington, Illinois. See [U.S. Facility Operations](#) above for further details. A \$2.8 million (US\$2.2 million) loan was used to help finance this purchase, which matures on February 1, 2020 and accrues interest at LIBOR plus 2.5% per annum, payable monthly. This loan is denominated in U.S. currency.

CUSTOMER DEPOSITS AND DEFERRED REVENUE

A large component of our current liabilities is comprised of deferred revenue related to league registrations and customer deposits received in advance which totaled \$11.3 million as at December 31, 2014 (2013 - \$11.2 million). We recognize revenue as ice or field time is used; many of the seasonal contracts and league registrations are paid in advance.

FINANCE LEASES

We use finance leases to finance the acquisition of various types of heavy equipment used in our facilities such as ice resurfacers and refrigeration equipment. In 2014 we acquired five new ice resurfacers financed by equipment leases that have a term of five years, refrigeration equipment that have a term of four years and some computer equipment that have a term of three years.



Liquidity and Capital Resources

Canlan’s cash balance as at December 31, 2014 was \$13.5 million compared to \$10.1 million from December 31, 2013. The increase at year end was principally due to cash received from additional financing offset by cash invested in capital expenditures and purchase of the facility in Fort Wayne.

During the year, debt was increased by \$15.0 million and \$3.7 million was utilized for scheduled mortgage principal repayments. We also utilized \$0.6 million to reduce the principal on finance leases.

Investment activities in 2014 included \$3.2 million incurred on facility capital in expenditures and \$10.2 million (US\$9.3 million) used to purchase the ice facility in Fort Wayne, Indiana. Facility capital expenditures consisted of new refrigeration equipment, rink boards, computer equipment, and a major renovation to improve building structure at Burnaby 8 Rinks.

In addition, the Company made four quarterly dividend payments of \$0.02 per share in January, April, July and October 2014 for a total of \$1.1 million. On November 12, 2014, the Company continued its dividend policy and declared a quarterly dividend of \$0.02 per share on a record date on December 30, 2014 which was paid on January 15, 2015.

Summarized statement of cash flows:

IN THOUSANDS	2014	2013
Cash inflows and (outflows) by activity		
Operating activities	\$ 7,187	\$ 6,799
Financing activities	9,676	72
Investing activities	(13,409)	(9,691)
	3,454	(2,820)
Cash position, beginning of year	10,080	12,900
Cash position, end of year	\$ 13,534	\$ 10,080
Key ratios		
Working capital	\$ (4,978)	\$ (22,026)
Debt to equity ratio	1.20:1	0.92:1

Our balance sheet at the end of 2014 indicated a working capital deficiency of \$5.0 million. At December 31, 2013, the long-term debt payable of \$15.2 million that matures in 2014 has been classified as a current liability. The Company refinanced the debt prior to its maturity. Excluding the effects of this presentation, the Company has a working capital deficiency of approximately \$9.1 million in 2013. The decrease in working capital deficiency was principally due to cash provided by operations and additional financing.

The Company’s debt to equity ratio of 1:20 at the end of the year has increased from 2013 as a result of a new loan of \$15.0 million drawn in 2014 offset by scheduled principal repayments of debt. The ratio is expected to continue meeting the lenders’ covenant requirement in 2015.

CASH FLOW

Our cash position fluctuates during the year as a result of the seasonality of our business. Historically the highest cash position is December and lowest occurs in August. We generally collect registration fees for the ASHL in the first three months of each season, and program fees are collected upon registration. We have built sufficient cash reserves to manage the seasonality of our business without having to access credit lines for working capital and we expect this to continue in the future.

Cash flow from operating activities increased to \$7.0 million in 2014 compared to \$6.7 million in 2013. After accounting for additional financing, debt repayments, capital expenditures, purchase of a facility and dividends paid, cash increased by \$3.5 million in 2014.

The following table provides a reconciliation of EBITDA to the change in cash position for the last two years:

IN THOUSANDS	2014	2013
EBITDA	\$ 11,084	\$ 9,788
Changes in working capital items	(735)	(239)
Net finance costs	(2,575)	(2,351)
Income tax expense	(756)	(542)
Other	27	36
Cash flow from operations	7,045	6,692
Cash from (used for):		
Mortgage principal reduction	(3,726)	(3,240)
New debt	15,029	5,000
Purchase of ice rink property	(10,190)	-
Capital expenditures	(3,289)	(9,701)
Equipment lease payments	(560)	(621)
Dividends paid	(1,067)	(1,067)
Net proceeds on sale of assets	70	10
Effects of changes in foreign currency rates	142	107
Change in cash position for the year	\$ 3,454	\$ (2,820)

CONTRACTUAL OBLIGATIONS

The following table presents the aggregate amount of future cash outflows for contractual obligations in each of the next five years and thereafter. The operating leases listed below for land and buildings fit the definition of off-balance sheet financing arrangements.

IN THOUSANDS	2015	2016	2017	2018	2019	THEREAFTER	TOTAL
Long-term debt:							
Mortgage principal and interest	\$6,400	\$6,231	\$6,053	\$31,598	\$9,854	\$ -	\$ 60,136
Equipment leases, includes interest	657	612	445	233	102	21	2,070
	7,057	6,843	6,498	31,831	9,956	21	62,206
Land and building leases (off balance sheet financing)	1,156	1,158	1,163	1,183	1,183	9,853	15,696
	\$8,213	\$8,001	\$7,661	\$33,014	\$11,139	\$ 9,874	\$ 77,902

Share Capital

No new shares have been issued from treasury since November 2004, and the Company does not have a stock option plan.

	2014	2013
Shares issued and outstanding	13,337,448	13,337,448
Weighted average number of shares outstanding	13,337,448	13,337,448

The Company established a stock appreciation rights (SARs) plan in 2005. The SARs plan provides eligible employees and directors with the right to receive cash equal to the appreciation of the Company’s common shares subsequent to the date of the grant. The granted SAR’s vest in equal installments over a three year period and expire three years from the grant date.

The Company has outstanding stock appreciation rights as follows:

EXPIRY DATE	NUMBER OF RIGHTS	NUMBER OF RIGHTS EXERCISEABLE AT DECEMBER 31, 2014	EXERCISE PRICE
November 29, 2016	509,835	99,665	\$2.30
April 15, 2017	35,000	-	\$2.60
June 15, 2017	70,000	-	\$2.51
November 28, 2017	35,000	-	\$3.14
	649,835	99,665	

During the year, 233,415 SARs were exercised at a weighted average exercise price of \$1.97.

Subsequent to December 31, 2014, 56,100 SARs were exercised.

The liability related to the SARs program is adjusted quarterly based on the fair value of the SARs as estimated using the Black-Scholes pricing model. As at December 31, 2014 the Company recorded a liability in the amount of \$0.2 million. For the year ended December 31, 2014, fair value measurement of the SARs liability resulted in a net compensation expense of \$0.3 million that was recognized in the statement of earnings and comprehensive income

Transactions with Related Parties

Canlan’s controlling shareholder, Bartrac Investments Ltd., owns approximately 10.1 million shares of the Company, or 75% of the outstanding shares. Bartrac’s ownership position in TSX: ICE has remained unchanged since November 2004.

The Company did not record any related party transactions with Bartrac in 2014 and 2013.

The Company paid \$0.1 million (2013 - \$0.2 million) in directors’ fees.

Two Directors of Canlan’s Board are also Directors of a vendor from which Canlan purchases services in the normal course of business. Purchases from this vendor for the year ended December 31, 2014 was \$69,000 (2013 - \$56,000).



Financial Instruments

The Company initially measures all its financial instruments at fair value. Subsequent measurement and treatment of any gain or loss is recorded as follows:

- Held for trading financial liabilities are measured at the fair value at the balance sheet date with any gain or loss recognized immediately in net income.
- Loans and receivables are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise of cash and cash equivalents and accounts receivable.
- Non-derivative financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Non-derivative financial liabilities comprise of accounts payable and accrued liabilities, obligations under finance leases and debt.
- Transaction costs that are directly attributable to the issuance of financial assets or liabilities are accounted for as part of the carrying cost at inception and are recognized over the term of assets or liabilities using the effective interest method.

The Company does not have held to maturity investments at December 31, 2014. The Company had no “other comprehensive income or loss” transactions during the year ended December 31, 2014 and no opening or closing balances for accumulated other comprehensive income or loss.

Disclosure Controls and Procedures

We have established and maintain disclosure controls and procedures designed to provide reasonable assurance that material information relating to the Company is made known to the appropriate level of management in a timely manner.

Based on current securities legislation in Canada, our Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are required to certify that they have assessed the effectiveness of our disclosure controls and procedures as at December 31, 2014.

Our management has evaluated, under the supervision and with the participation of our CEO and CFO, the design and effectiveness of the Company's disclosure controls and procedures as at the year ended December 31, 2014. Management has concluded that these disclosure controls and procedures, as defined in National Instrument 52-109 – Certification of Disclosure in Issuers Annual and

Interim Filings (NI 52-109), are adequate and effective and that material information relating to the Company was made known to them and reported within the time periods specified under applicable securities legislation.

Our management, under the supervision of our CEO and CFO, has also designed and evaluated the effectiveness of the Company's internal controls over financial reporting (ICFR) using the Internal Control – Integrated Framework as published by the Committee of Sponsoring Organization of the Treadway Commission (2013 Framework) (COSO) Framework. Based on our evaluation, management has concluded that ICFR, as defined in NI 52-109 and using the COSO integrated framework are effective as of December 31, 2014.

There were no changes in our ICFR during the year ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect our ICFR.

Risk Factors

Canlan is engaged primarily in the operation of multi-pad recreation facilities throughout North America, and is exposed to a number of risks and uncertainties that can affect operating performance and profitability. Our past performance is no guarantee of our performance in future periods.

Some of the risks and uncertainties we are exposed to, together with a description of management's action to minimize our exposure, are summarized below.

LEVERAGE AND ABILITY TO SERVICE INDEBTEDNESS

The Company's level of debt and the limitations imposed on it by its debt agreements could have important consequences, including the following:

- The Company will have to use a significant portion of its cash flow from operations for debt service, rather than for operations.
- The Company may not be able to obtain additional debt financing for future working capital, capital expenditures or other corporate purposes.
- The Company could be more vulnerable to economic downturns and less able to take advantage of significant business opportunities or to react to changes in market or industry conditions.
- The Company's less leveraged competitors could have a competitive advantage.

The Company's ability to pay the principal and interest on debt obligations will depend on its future performance. To a significant extent, our performance will be subject to general

economic, financial and competitive factors. We can provide no assurances that its business will generate cash flow from operations sufficient to pay the Company's indebtedness, fund other liquidity needs or permit the Company to refinance its indebtedness. The Company can provide no assurances that it can secure any further credit facilities or that the terms of any such credit facilities will be favourable.

If the Company has difficulty servicing its debt, the Company may be forced to reduce or delay capital expenditures, seek additional financing, sell assets, restructure or refinance the Company's debt, or seek equity capital. The Company might not be able to implement any of these strategies on satisfactory terms, if at all. The Company's inability to generate sufficient cash flow or refinance its indebtedness would have a material adverse effect on the Company's financial condition, results of operations and ability to satisfy the Company's obligations.

Mitigating factors and strategies:

- The Company manages its capital with the objectives of maintaining a financial position suitable for servicing debt in accordance with repayment schedules, complying with debt covenants, and supporting our growth strategies.
- The Company maintains good relationships with its lenders through regular communications and reporting.

INFRASTRUCTURE EXPENDITURES

The Company's recreation facilities consist of plant and equipment that have useful lives estimated by management. Assets may become obsolete and may require replacement before the end of their estimated useful lives, which will necessitate significant capital expenditure.

Mitigating factors and strategies:

- The Company has implemented formal standard operating procedures and operational support visits to help protect our assets.
- The Company has a stringent asset repair and maintenance program.
- The Company has a long-term capital project program that plans capital expenditures in accordance with priorities and estimated useful lives.

INCURRENCE OF DEBT AND THE GRANTING OF SECURITY INTERESTS

From time to time, the Company may enter into transactions and these transactions may be financed partially or wholly with short or long term debt, which may increase the Company's debt levels above industry standards and may require the Company to grant security interests in favour of third parties. Neither the Company's articles nor notice of articles limit the amount of indebtedness that the Company

may incur or its ability to grant security interests. Should the Company default on any of its obligations under any secured credit facility, this could result in seizure of the Company's assets. The level of the Company's indebtedness from time to time could impair our ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

Mitigating factors and strategies:

- The Company manages its capital with the objectives of maintaining a financial position suitable for servicing debt in accordance with repayment schedules, complying with debt covenants, and supporting our growth strategies.

INSURANCE

The Company develops and organizes hockey leagues to play at the facilities it owns and operates. Due to the nature of the sport, injuries can occur. We purchase liability and accident insurance, the cost of which is dependent upon the history of the number of injury claims and the quantum of such claims. There is always a risk that the cost of acquiring sufficient insurance to cover any such injury claims will become prohibitive or that such insurance will become unavailable. The Company has obtained insurance coverage that it believes would ordinarily be maintained by an operator of facilities similar to that of the Company. The Company's insurance is subject to various limits and exclusions. Damage or destruction to any of our facilities or lawsuits arising from use of such facilities could result in claims that are excluded by, or exceed the limits of, the Company's insurance coverage.

Mitigating factors and strategies:

- Company maintains its facilities to high standards and continually monitors league activities and enforces a strict set of rules.
- Company has developed risk management procedures and emergency preparedness guides at all of its locations.
- Management works closely with insurance providers.

U.S. OPERATIONS

The Company's expansion strategies include certain markets in the U.S. As such, the Company faces the risks of operating in new markets where the demographics, consumer preferences, and economic conditions can be very different from Canadian markets in which the Company primarily operates. Should market conditions of new U.S. locations vary significantly from what was anticipated, the Company's financial results could be adversely affected.

In addition, the Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of the Company, the Canadian dollar. The currency in which these transactions



are denominated is the U.S. dollar. The Company is exposed to the risk of loss depending on the relative movement of this currency against the Canadian dollar. The Company does not currently enter into forward contracts to mitigate this risk.

Mitigating factors and strategies:

- The Company performs due diligence to evaluate the structural condition of facilities, and conditions that support supply and demand in the marketplace.
- Management closely monitors the Canadian-US foreign exchange rate and could utilize hedging instruments if necessary. In addition, a reasonable amount of US currency is maintained on hand to meet operating needs.

SEASONALITY OF OPERATIONS

The Company’s business cycle is highly seasonal with 57% of total revenues and virtually all of the operating profit being generated in the first and last quarters. This seasonality of operations impacts reported quarterly earnings. The operating result for any particular quarter is not necessarily a good indicator of operating results for the other fiscal quarters or the entire fiscal year. As a result of the seasonality, the highest cash flow period for the Company is in the fourth quarter when customer deposits for future ice contracts are received, and the lowest cash flow is in the summer months, when traffic is reduced.

Mitigating factors and strategies:

- Various programs are developed to increase traffic during the summer period.
- Variable operating costs are reduced during the summer period.
- Certain term debt and finance lease carry seasonal repayment schedules.

COMPETITION

The ice rink industry is highly competitive and Canlan competes with other private operators in its four major markets, B.C., Manitoba, Ontario and Quebec, as well as Municipal Governments that have different mandates and usually operate with significant losses. Other private operators may have more resources and less debt than Canlan, and municipal operators can operate at a loss for an indefinite period without the same negative consequences such losses would have on private companies.

Mitigating factors and strategies:

- Canlan has developed customer loyalty by providing superior customer service and facilities.
- The ice rink industry is capital intensive with high start up expenses; therefore barriers to enter the business exist.
- We have developed expertise in all aspects of the ice rink development and operations.

EMPLOYEE AND UNION RELATIONS

The Company has unionized employees at three of its facilities. The presence of a unionized work force increases the possibility that a labour dispute will effect operations at a facility. The three union agreements will expire on February 2015, October 2015 and October 2017. The Company may not be able to negotiate a new contract on favorable terms, which could result in increased operating costs as a result of higher wages or benefits paid to its unionized workers. If unionized workers engage in a strike or other work stoppage, the Company could experience a significant disruption in its operations or higher ongoing labour costs, which could have material adverse effects on the business, financial condition, results of operations and cash flows.

Mitigating factors and strategies:

- The Company maintains positive relationships with the unions and management and union representatives have bargained in good faith.
- The Company garners assistance and guidance from professional labour consultants where needed.

KEY PERSONNEL

The Company’s future success depends, to a large extent, on the efforts and abilities of its executive officers. As the Company’s ability to retain these executive officers is important to its success and growth, the loss of its executive officers could adversely affect the Company’s business, financial condition, cash flows and results of operations.

Mitigating factors and strategies:

- The Company has established compensation policies for its executive officers that are commensurate with their responsibilities and with market conditions.
- The Company maintains an open and candid working environment where executive officers can offer input into business strategies and decisions.

UTILITY COSTS

As electricity, natural gas and water are significant components of operating costs of our facilities, it is susceptible to fluctuations in the market price of energy. If the Company experiences any power fluctuations or outages or cannot maintain adequate sources of natural gas and water, this may have a material adverse effect on the Company’s business, financial conditions, results of operations and cash flows.

Mitigating factors and strategies:

- The Company enters into medium-term energy contracts to mitigate the price fluctuations of gas and electricity.

INTEREST RATE RISK

Mortgage debt of \$24.1 million, is subject to variable interest rates. For every 1% change in base market rates, interest expense will change by \$241,000 per annum.

Mitigating factors and strategies:

- The Company has fixed the interest rate on 54% of its loans, which totals \$27.9 million.

CONTROL BY PRINCIPAL SHAREHOLDERS

The principal shareholder, Bartrac Investments Ltd. holds 10,075,947 Common Shares and controls approximately 75% of the aggregate voting power of the Corporation, which will allow it to control substantially all the actions taken by the shareholders of the Company, including the election of the directors. Such concentration of ownership could also have the effect of delaying, deterring, or preventing a change of control of the Company that might otherwise be beneficial to its shareholders and may also discourage acquisition bids for the Company and limit the amount certain investors may be willing to pay for the Common Shares.

Critical Accounting Policies and Estimates

Canlan’s significant accounting policies are described in Note 4 to the consolidated financial statements. The preparation of the consolidated financial statements in conformity with IFRS requires us to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Key sources of estimation uncertainty are the areas where assumptions and estimates have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities. These are:

REVENUE RECOGNITION

Revenue from ice rink operations is recognized as the product or service is supplied. Deferred revenue relates to amounts received in advance for the Company’s adult hockey leagues; revenue is recognized as games are played. A certain amount of judgment is required in the determination of revenue recognition based on the Company’s estimates. Any differences are recognized upon completion of the season.

ACCOUNTS RECEIVABLE

In determining the valuation of accounts receivable and the allowance for doubtful accounts, the Company relies on current customer information, payment history, and trends.

IMPAIRMENT AND RECOVERABILITY OF PROPERTY PLANT AND EQUIPMENT

When impairment indicators exist, the recoverability of the Company’s recreational properties is based on future discounted cash flows expected to be generated from such assets. These cash flows are based on management’s approved budgets and projections. When appropriate, third-party appraisals will also be used to assess the recoverability of recreational properties. Judgments are required in assessing impairment indicators.

USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment are depreciated on a straight-line basis over their estimated useful life. Approximately 83% of the Company’s total assets are comprised of recreational properties. The selection method of depreciation and length of the depreciation period could have a material impact on depreciation expense and the net book value of the Company’s assets. Assets may become obsolete or require replacement before the end of their estimated useful lives, in which case any remaining unamortized costs would be written off.

ACCOUNTING FOR STOCK-BASED COMPENSATION

The fair value of the Company’s stock appreciation rights (“SARs”) is based on certain estimates used in applying the Black-Scholes pricing model. The rights are cash-settled and are classified as a liability and re-measured to fair value at each reporting date by recognizing compensation cost over the life of the SARs based on the vesting terms of each tranche.

DEFERRED INCOME TAX

Deferred income tax assets and liabilities are calculated by assessing temporary differences resulting from differing treatment of items for tax and accounting purposes and net operating losses carried forward. The valuation of deferred tax assets are measured based on management’s estimates of future taxable income and expected timing of reversals of temporary differences.



**Michael F. Gellard**  
*Senior VP and Chief Financial Officer*



## INDEPENDENT AUDITORS' REPORT

To the Shareholders of Canlan Ice Sports Corp.

# INDEPENDENT AUDITORS' REPORT & CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Canlan Ice Sports Corp., which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, the consolidated statements of earnings and comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditors' Responsibility*

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

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

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





Opinion

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

*KPMG LLP*

Chartered Accountants

March 23, 2015  
Vancouver, Canada

CANLAN ICE SPORTS CORP.

Consolidated Statements of Financial Position  
(Expressed in thousands of dollars)

Years ended December 31, 2014 and 2013

	2014	2013
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 13,534	\$ 10,080
Accounts receivable	2,781	2,333
Inventory (note 5)	1,037	1,095
Prepaid expenses and deposits	732	421
	18,084	13,929
Non-current assets:		
Property, plant and equipment - facilities (note 6)	97,682	89,401
Investment properties (note 7)	570	570
Deferred tax assets (note 15b)	1,308	1,234
Other assets	378	427
	99,938	91,632
	\$ 118,022	\$ 105,561

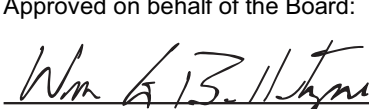
Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities (note 8)	\$ 7,351	\$ 7,360
Deferred revenue and customer deposits	11,333	11,216
Financial liability held for trading (note 16a)	-	19
Current portion of:		
Obligations under finance leases (note 9)	572	493
Debt (note 10)	3,806	16,867
	23,062	35,955
Non-current liabilities:		
Obligations under finance leases (note 9)	1,239	966
Debt (note 10)	47,965	22,907
Deferred tax liabilities (note 15b)	971	777
	50,175	24,650
Total liabilities	73,237	60,605
Shareholders' equity:		
Share capital (note 11)	63,109	63,109
Contributed surplus	543	543
Deficit	(18,867)	(18,696)
	44,785	44,956
	\$ 118,022	\$ 105,561

Nature of operations (note 2)  
Commitments and contingencies (note 14)  
Subsequent events (notes 11, 12, and 22)

The accompanying notes form an integral part of these consolidated financial statements.

Approved on behalf of the Board:

  
W. Grant Ballantyne Director

  
Joey St-Aubin Director



## CANLAN ICE SPORTS CORP.

Consolidated Statements of Earnings and Comprehensive Income  
(Expressed in thousands of dollars, except for share and per share amounts)

Years ended December 31, 2014 and 2013

	2014	2013
Revenue:		
Ice rink and recreational facilities (note 19)	\$ 75,732	\$ 72,791
Expenses (note 21):		
Ice rinks and recreational facilities:		
Salaries, wages and benefits	28,870	28,131
Selling and customer service	10,514	10,267
Utilities	6,811	6,819
Cost of goods sold	5,575	5,518
Repairs and maintenance	4,128	3,641
Property tax	2,597	2,634
Facility lease	1,594	1,759
	60,089	58,769
Earnings from ice rink and recreational facilities	15,643	14,022
General and administration expenses (notes 13 and 21)	4,559	4,234
Earnings before the undernoted	11,084	9,788
Other expenses (income) (note 21):		
Depreciation	6,132	5,633
Gain on sale of assets	(47)	(10)
Foreign exchange loss	666	105
	6,751	5,728
Finance income (costs):		
Finance income	111	91
Finance costs	(2,643)	(2,462)
	(2,532)	(2,371)
Earnings before income taxes	1,801	1,689
Income tax expense (note 15):		
Current	785	547
Deferred	120	46
	905	593
Net earnings and comprehensive income	\$ 896	\$ 1,096
Basic and fully diluted earnings per share	\$ 0.07	\$ 0.08
Weighted average common shares issued for basic and diluted earnings per share calculations	13,337,448	13,337,448

The accompanying notes form an integral part of these consolidated financial statements.

## CANLAN ICE SPORTS CORP.

Consolidated Statements of Changes in Equity  
(Expressed in thousands of dollars)

Years ended December 31, 2014 and 2013

	Share capital	Contributed surplus	Deficit	Total
Balance at January 1, 2013	\$ 63,109	\$ 543	\$ (18,725)	\$ 44,927
Net earnings and comprehensive income	-	-	1,096	1,096
Dividends to common shareholders	-	-	(1,067)	(1,067)
Balance at December 31, 2013	63,109	543	(18,696)	44,956
Net earnings and comprehensive income	-	-	896	896
Dividends to common shareholders	-	-	(1,067)	(1,067)
Balance at December 31, 2014	\$ 63,109	\$ 543	\$ (18,867)	\$ 44,785

The accompanying notes form an integral part of these consolidated financial statements.



## CANLAN ICE SPORTS CORP.

Consolidated Statements of Cash Flows  
(Expressed in thousands of dollars)

Years ended December 31, 2014 and 2013

	2014	2013
Cash provided by (used in):		
Operating:		
Net earnings	\$ 896	\$ 1,096
Adjustments for:		
Depreciation	6,132	5,633
Gain on sale of assets	(47)	(10)
Net finance costs	2,532	2,371
Deferred income taxes	120	46
Unrealized foreign currency loss on debt	722	146
Net change in non-cash working capital (note 20)	(735)	(239)
Interest paid	(2,667)	(2,424)
Interest received	92	73
	7,045	6,692
Financing:		
Principal repayments of debt	(3,726)	(3,240)
Increase in principal of debt	15,029	5,000
Principal repayments on obligations under finance lease	(560)	(621)
Payment of dividends on common shares	(1,067)	(1,067)
	9,676	72
Investments:		
Net proceeds on sale of assets	70	10
Purchase of ice rink property (note 6)	(10,190)	-
Capital expenditures on facilities	(3,173)	(9,576)
Expenditures on other assets	(116)	(125)
	(13,409)	(9,691)
Effect of changes in foreign currency rates on cash and cash equivalents	142	107
Increase (decrease) in cash and cash equivalents	3,454	(2,820)
Cash and cash equivalents, beginning of year	10,080	12,900
Cash and cash equivalents, end of year	\$ 13,534	\$ 10,080

Supplemental cash flow information (note 20)

The accompanying notes form an integral part of these consolidated financial statements.

## CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements  
(Tabular amounts expressed in thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2014 and 2013

### 1. Reporting entity:

Canlan Ice Sports Corp. and its subsidiaries (collectively referred to as the "Company") focus on the development, lease, acquisition and operation of multi-purpose recreation and entertainment facilities. Canlan Ice Sports Corp. is a company incorporated in Canada, whose shares are publicly traded on the Toronto Stock Exchange. The Company is domiciled in Canada and its head office is located at 6501 Sprott Street, Burnaby, British Columbia, Canada.

### 2. Nature of operations:

The Company has long-term debt with principal payments coinciding with the Company's seasonal business such that the Company expects that it will not require financing during the off peak hockey season. In addition, the long-term debt agreements have maturity dates in 2018 to 2019 to provide the Company with liquidity over a reasonable period of time. The Company has a working capital deficiency of approximately \$4,978,000 as the Company finances a portion of its assets through customer deposits.

### 3. Basis of preparation:

#### (a) Statement of compliance:

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

The consolidated financial statements were authorized for issue by the Board of Directors on March 23, 2015.

#### (b) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis, except for liabilities for cash-settled stock-based payment arrangements which are measured at fair value.

#### (c) Functional and presentation currency:

The consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in tables has been rounded to the nearest thousand.

# CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements  
(Tabular amounts expressed in thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2014 and 2013

**3. Basis of preparation (continued):**

(d) Use of estimates and judgments:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Key sources of estimation uncertainty are the areas where assumptions and estimates have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities. These are:

- *Accounts receivables* - in determining the valuation of accounts receivable and the allowance for doubtful accounts, the Company relies on current customer information, payment history, and trends.
- *Accounting for stock-based compensation* - the fair value of the Company's stock appreciation rights ("SARs") is based on certain estimates used in applying the Black-Scholes pricing model. The rights are cash-settled and are classified as a liability and re-measured to fair value at each reporting date by recognizing compensation cost over the life of the SARs based on the vesting terms of each tranche.
- *Revenue recognition* - revenue from recreational facility operations is recognized as the product or service is supplied. Deferred revenue relates to amounts received in advance for the Company's adult sports leagues; revenue is recognized as games are played. A certain amount of judgment is required in the determination of revenue recognition based on the Company's estimates. Any differences are recognized upon completion of the season.
- *Deferred income tax* - deferred income tax assets and liabilities are calculated by assessing temporary differences resulting from differing treatment of items for tax and accounting purposes and net operating losses carried forward. The valuation of deferred tax assets are measured based on management's estimates of future taxable income and expected timing of reversals of temporary differences.

# CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements  
(Tabular amounts expressed in thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2014 and 2013

**3. Basis of preparation (continued):**

(d) Use of estimates and judgments (continued):

Critical judgments that have a higher degree of judgment and the most significant effect on the Company's financial reporting, apart from those involving estimates (discussed above), include:

- *Recoverability of property, plant, and equipment* - the recoverability of the Company's recreational properties is based on future discounted cash flows expected to be generated from such assets. These cash flows are based on management's approved budgets and projections. When appropriate, third-party appraisals will also be used to assess the recoverability of recreational properties.
- *Useful lives of property, plant, and equipment* - property, plant, and equipment are depreciated on a straight-line basis over their estimated useful life. Approximately 83% of the Company's total assets are comprised of recreational properties. The selection method of depreciation and length of the depreciation period could have a material impact on depreciation expense and the net book value of the Company's assets. Assets may become obsolete or require replacement before the end of their estimated useful lives, in which case any remaining unamortized costs would be written off.

(e) Comparative figures:

Certain comparative figures have been reclassified to conform to the current period's presentation.

**4. Significant accounting policies:**

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

(a) Basis of consolidation:

(i) Subsidiaries:

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

- Les Quatre Glaces (1994) Inc.
- Canlan Ice Sports (USA) Corp.
- P.C. Development Inc.

Subsidiaries are entities controlled by the Company. The statements of financial position of the subsidiaries are included in the consolidated financial statements from the date that control commences. They are de-consolidated from the date that control ceases. The accounting policies of subsidiaries are aligned with those adopted by the Company.



CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements  
(Tabular amounts expressed in thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2014 and 2013

4. Significant accounting policies (continued):

(a) Basis of consolidation (continued):

(ii) Transactions eliminated on consolidation:

Intra-Company balances are eliminated in preparing the consolidated financial statements.

(b) Inventory:

Inventory consists of hockey equipment, supplies and sportswear held for sale, and food and beverage supplies. Inventory is recorded at the lower of cost and estimated net realizable value. The cost of inventory is based on the first-in first-out principle. Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

(c) Property, plant, and equipment:

(i) Recognition and measurement:

Items of property, plant, and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, costs directly attributable to bringing the assets to a working condition for their intended use, and borrowing costs on qualifying assets.

When parts of an item of property, plant, and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant, and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized within gain on sale of assets.

(ii) Subsequent costs:

The cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in net earnings as incurred.

CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements  
(Tabular amounts expressed in thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2014 and 2013

4. Significant accounting policies (continued):

(c) Property, plant, and equipment (continued):

(iii) Depreciation:

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognized in net earnings on a straight-line basis over the estimated useful lives of each component of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term or their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

Asset	
Buildings	40 years
Rink board systems	25 years
Refrigeration equipment	20 years
Building improvements	10 years
Leasehold improvements	Shorter of useful life or remaining lease term
Machinery and equipment	10 years
Computers, furniture and fixtures	5 years
Ice resurfacing equipment	5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(d) Investment property:

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Investment property is carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognized in net earnings on a straight-line basis over the estimated useful lives of each investment property. The estimated useful lives for the current and comparative periods for investment property are consistent with the estimated useful lives for property, plant and equipment as described in note 4(c)(iii). Investment property comprising land is not depreciated.

CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements  
(Tabular amounts expressed in thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2014 and 2013

4. Significant accounting policies (continued):

(e) Other assets:

Included in other assets are fixed assets located in the Company’s corporate office.

(f) Leased assets:

Leases where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized in the Company’s consolidated financial statements.

(g) Lease payments:

Payments made under operating leases are recognized in net earnings on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for in the period in which they are incurred.

(h) Revenue recognition:

(i) Ice and field time:

Revenue from rental contracts, programs and leagues is measured at the fair value of the consideration received or receivable, net of returns. Revenue is recognized as games and lessons are played and collection is reasonably assured.

(ii) Goods sold:

Revenue from the sale of food and beverage and sports store goods is measured at the fair value of the consideration received or receivable, net of returns. Revenue is recognized when the goods are transferred to the buyer.

(iii) Sponsorship:

Revenue from sponsorship contracts is recognized on a straight-line basis over the term of the contract.

CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements  
(Tabular amounts expressed in thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2014 and 2013

4. Significant accounting policies (continued):

(h) Revenue recognition (continued):

(iv) Management contracts:

The Company’s financial results include the revenue and expenses of facilities operated under management contracts where the Company’s return is subject to the risks and rewards of operation. For facilities where this is not the case, the Company records only the revenue received in the form of fixed management fees. Revenue from such management contracts is recognized over the term of the contract.

(v) Rental income:

Rental income is recognized in net earnings on a straight-line basis over the term of the lease.

(i) Foreign currency:

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the exchange rate at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognized in net earnings.

(j) Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company measures financial instruments and discloses select non-financial assets at fair value at each reporting period.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement or disclosure:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for assets or liability.



# CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements  
(Tabular amounts expressed in thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2014 and 2013

**4. Significant accounting policies (continued):**

(k) Financial instruments:

(i) Non-derivative financial assets:

The Company has the following non-derivative financial assets: loans and receivables. Such financial assets have fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise of cash and cash equivalents and accounts receivable.

Cash and cash equivalents comprise cash balances and deposits with financial institutions and other short-term, highly liquid investments with original maturities of three months or less when acquired, that are readily convertible to cash.

(ii) Non-derivative financial liabilities:

The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities and debt. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(iii) Derivative financial instruments:

Derivative instruments are financial contracts whose value is derived from interest rates, foreign exchange rates or other financial or commodity indices.

On October 21, 2011, the Company entered into an interest rate swap contract used to manage the exposure to market risks from changing interest rates. This instrument has not been designated as a hedge and is marked to market. The resulting unrealized gains and losses during the period are recorded in net earnings with a corresponding asset or liability recorded on the consolidated statement of financial position. Payments and receipts under the interest rate swap contract are recognized as adjustments to interest expense which are recognized within finance costs.

(l) Earnings per share:

The Company presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the net earnings attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the net earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, if any.

# CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements  
(Tabular amounts expressed in thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2014 and 2013

**4. Significant accounting policies (continued):**

(m) Employee benefits:

(i) Defined contribution plans:

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in net earnings in the period in which services are rendered by employees. Contributions to a defined contribution plan that are due more than twelve months after the end of the period in which the employees render the service are discounted to their present value. On January 1, 2010, the Company established a defined contribution plan for its employees whereby the Company matches contributions to a maximum of 4% of salaries. Included in salaries, wages and benefits within ice rink and recreational facilities and general and administrative expenses is \$333,000 (2013 - \$327,000) in respect of the Company's contributions.

(ii) Share-based:

The fair value of the amount payable to directors and employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period that the directors and employees unconditionally become entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as compensation expense in net earnings.

(n) Finance income and finance costs:

Finance income comprises bank interest income and changes in the fair value of financial assets and liabilities at fair value through profit or loss. Interest income is recognized in net earnings as it accrues.

Finance costs comprise interest expense on borrowings and obligations under finance leases, bank charges and changes in the fair value of financial assets and liabilities at fair value through profit or loss.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in net earnings using the effective interest method.

(o) Income tax:

Income tax expense comprises current and deferred tax. Current and deferred tax are recognized in net earnings except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements  
(Tabular amounts expressed in thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2014 and 2013

4. Significant accounting policies (continued):

(o) Income tax (continued):

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(p) Impairment:

(i) Financial assets:

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

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, or indications that a debtor or issuer will enter bankruptcy.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net earnings.

CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements  
(Tabular amounts expressed in thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2014 and 2013

4. Significant accounting policies (continued):

(p) Impairment (continued):

(ii) Non-financial assets:

The carrying amounts of the Company's property, plant, and equipment and investment properties, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or CGU).

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net earnings.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(q) Segment reporting:

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' results are reviewed regularly by the Company's management to make decisions about resources to be allocated to the segment and assess its performance. Segment results include items directly attributable to a segment.



CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements  
(Tabular amounts expressed in thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2014 and 2013

4. Significant accounting policies (continued):

(r) Adoption of new accounting standards:

In May 2013, the IASB issued amendments to IAS 36 – *Recoverable Amount Disclosure for Non-Financial Assets*. The amendments clarify and add to the disclosure requirements when the recoverable amount of impaired assets is determined by fair value less costs of disposal. The Company concluded that there were no changes to disclosure required on adoption of this new standard.

In May 2013, the IASB issued IFRIC 21 – *Levies*. The interpretation provides guidance on when to recognize a liability for a levy imposed by a government. The Company concluded that there were no changes to recognition or measurement of property taxes required on adoption of this new standard.

(s) New standards and interpretations not yet adopted:

IFRS 9 – *Financial Instruments*, issued July 2014 replaces IAS 39 – *Financial Instruments: Recognition and Measurement* and deals with classification and measurement of financial assets and financial liabilities. The requirements of this standard represent a significant change from the existing requirements in IAS 39. The changes will affect the classification and measurement of financial assets and financial liabilities, the rules and requirements relating to hedge accounting as well as impairment of financial assets.

The mandatory effective date of IFRS 9 is January 1, 2018 and is required to be applied retrospectively when initially applied. Adoption of this standard is not expected to have a significant effect on the consolidated financial statements of the Company.

5. Inventory:

	2014		2013	
Sports store	\$	608	\$	715
Food and beverage		429		380
	\$	1,037	\$	1,095

The amount of inventory expensed during the year is presented in cost of goods sold in the consolidated statement of earnings and comprehensive income.

CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements  
(Tabular amounts expressed in thousands of Canadian dollars, except share and per share amounts)  
Years ended December 31, 2014 and 2013

6. Property, plant and equipment - facilities:

Cost	Land		Buildings and building improvements		Leasehold improvements		Rink board systems		Refrigeration equipment		Machinery and equipment		Computers, furniture and fixtures		Ice resurfacing equipment		Work in process		Total	
Balance at December 31, 2012	\$	14,482	\$	91,483	\$	1,707	\$	3,884	\$	8,554	\$	8,949	\$	8,280	\$	4,259	\$	-	\$	141,598
Additions		-		5,573		176		748		937		1,853		549		279		358		10,473
Disposals		-		(156)		-		(101)		-		(2)		(144)		(157)		-		(560)
Balance at December 31, 2013		14,482		96,900		1,883		4,531		9,491		10,800		8,685		4,381		358		\$ 151,511
Reclassifications		-		60		7		-		-		43		248		-		(358)		-
Additions		1,092		8,699		6		347		1,949		1,256		167		578		206		14,300
Disposals		-		-		-		-		-		(32)		(54)		(23)		-		(109)
Balance at December 31, 2014	\$	15,574	\$	105,659	\$	1,896	\$	4,878	\$	11,440	\$	12,067	\$	9,046	\$	4,936	\$	206	\$	165,702
Accumulated depreciation and impairment losses																				
Balance at December 31, 2012	\$	-	\$	(34,432)	\$	(48)	\$	(1,811)	\$	(5,594)	\$	(5,721)	\$	(6,283)	\$	(3,325)	\$	-	\$	(57,214)
Depreciation for the year		-		(2,774)		(178)		(194)		(446)		(657)		(763)		(437)		-		(5,449)
Disposals		-		156		-		101		-		1		144		151		-		553
Balance at December 31, 2013		-		(37,050)		(226)		(1,904)		(6,040)		(6,377)		(6,902)		(3,611)		-		(62,110)
Depreciation for the year		-		(3,222)		(198)		(187)		(506)		(778)		(749)		(320)		-		(5,960)
Disposals		-		-		-		-		-		17		33		-		-		50
Balance at December 31, 2014	\$	-	\$	(40,272)	\$	(424)	\$	(2,091)	\$	(6,546)	\$	(7,138)	\$	(7,618)	\$	(3,931)	\$	-	\$	(88,020)
Carrying amounts																				
Balance at December 31, 2013	\$	14,482	\$	59,850	\$	1,657	\$	2,627	\$	3,451	\$	4,423	\$	1,783	\$	770	\$	358	\$	89,401
Balance at December 31, 2014		15,574		65,387		1,472		2,787		4,894		4,929		1,428		1,005		206		97,682

# CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements  
(Tabular amounts expressed in thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2014 and 2013

## 6. Property, plant and equipment - facilities (continued):

For the years ended December 31, 2014 and 2013, no impairment losses were recognized.

On September 2, 2014, the Company exercised its option to purchase a three-pad recreation facility in Indiana for \$10,190,000 (US\$9,326,000). This facility was previously operated under a long-term operating lease. The purchase was financed with debt (note 10(b)) and surplus cash.

Included in property, plant, and equipment - facilities are assets under finance leases with a cost of \$2,882,000 (2013 - \$2,640,000) and accumulated depreciation of \$854,000 (2013 - \$1,016,000).

## 7. Investment properties:

	Cost	Accumulated amortization	Carrying amount
December 31, 2014 and 2013	\$ 570	\$ -	\$ 570

The fair value of the Company's investment properties at December 31, 2014 was \$1,575,000 (2013 - \$1,499,000). The Company uses a variety of valuation techniques and makes assumptions that are based on market conditions existing at each reporting period to determine fair value. The Company's investment properties are categorized as Level 3 within the fair value hierarchy. As such, the fair value was determined using valuation techniques incorporating discounted cash flows and expertise of an independent local real estate agent not related to the Company. The cash flows were discounted at a pre-tax rate of 5.75% over the remaining lease term and based on anticipated renewal terms. The independent real estate agent has professional qualifications and experience in the location and category of investment property being valued.

For the years ended December 31, 2014 and 2013, no impairment losses were recognized.

In 2014, income earned on investment properties was \$90,000 (2013 - \$88,000) with no direct expenses in 2014 (2013 - nil).

# CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements  
(Tabular amounts expressed in thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2014 and 2013

## 8. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities consist of the following:

	2014	2013
Wages payable	\$ 2,403	\$ 1,989
Trade payables	2,217	2,638
Other accrued liabilities	1,871	1,659
Indirect tax payables	507	490
Income tax payable	189	528
Stock appreciation rights	164	56
	\$ 7,351	\$ 7,360

All current trade and accrued liabilities are interest-free and payable within 12 months.

## 9. Obligations under finance leases:

Total minimum lease payments are as follows:

	2014	2013
Not later than one year	\$ 657	\$ 557
Later than one year and not later than five years	1,405	1,121
Later than five years	21	5
	2,083	1,683
Interest (rates vary from 3% to 8%)	272	224
Present value of minimum finance lease payments	1,811	1,459
Current portion	572	493
Long-term portion	\$ 1,239	\$ 966

Lease obligations are secured directly by the leased assets.

Interest of \$92,000 (2013 - \$118,000) relating to capital lease obligations has been included in finance costs.



# CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements  
(Tabular amounts expressed in thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2014 and 2013

## 10. Debt:

	Maturity dates	Interest rates	2014	2013
Fixed rate	2018 2019	6.79% 5.97%	\$ 21,000 6,882	\$ 22,500 -
Variable rate	2018 2018 2019	Prime + 0.75% BA + 2.00% LIBOR + 2.50%	14,324 4,154 5,635	10,298 4,898 2,273
			51,995	39,969
Deferred financing costs			(224)	(195)
			51,771	39,774
Current portion			3,806	16,867
Non-current portion			\$ 47,965	\$ 22,907

As at December 31, 2014, debt consists of seven credit facilities, five of which have been drawn, as follows:

### (a) Lending institutions credit facilities:

- \$30,000,000 loan maturing on July 15, 2018, fixed interest at 6.79% per annum payable monthly. At December 31, 2014, the balance outstanding was \$21,000,000;
- \$15,000,000 loan maturing on May 31, 2018, interest at Prime rate plus 0.75% per annum payable monthly. At December 31, 2014, the balance outstanding was \$14,324,000;
- \$4,712,000 loan maturing on May 31, 2018, interest at the 30-day Canadian Bankers Acceptance rate plus 2.00% per annum, payable monthly. At December 31, 2014, the balance outstanding was \$4,154,000. The credit facility was used to finance capital expenditures related to specific capital projects in three of the Company's recreation facilities. The prior year comparative for this facility has been reclassified to the current portion of debt to more appropriately reflect its maturity date as at December 31, 2013;
- \$5,433,000 (US\$4,973,000) loan maturing on August 1, 2019, interest at LIBOR plus 2.5% per annum payable monthly. At December 31, 2014, the balance outstanding was \$5,635,000 (US\$4,862,000). This loan is denominated in U.S. currency;
- \$1,745,000 demand revolving loan maturing on May 31, 2018, interest at Prime rate plus 0.75% per annum. No amounts have been drawn on this loan to date; and
- \$5,000,000 committed revolving acquisition loan maturing on May 31, 2018, interest at Prime rate plus 0.75% per annum. No amounts have been drawn on this loan to date.

# CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements  
(Tabular amounts expressed in thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2014 and 2013

## 10. Debt (continued):

### (a) Lending institutions credit facilities (continued):

These credit facilities are 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.

Amortization of deferred financing costs related to these facilities totaling \$100,000 (2013 - \$63,000) was recorded in finance costs.

### (b) Vendor-take-back mortgage:

On September 2, 2014, the Company exercised its option to purchase a three-pad recreation facility in Indiana. This was partially financed by a U.S. denominated vendor-take-back mortgage of \$6,556,000 (US\$6,000,000). The mortgage matures on September 1, 2019 with a fixed interest rate at 5.97% per annum, payable monthly. At December 31, 2014, the balance outstanding was \$6,882,000 (US\$5,938,000).

The vendor-take-back mortgage is secured by specific pledging of title to, and interest in the respective land and building.

## 11. Share capital:

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

	Number of shares	Amount
(a) Authorized:		
500,000,000 common shares of no par value		
(b) Issued and outstanding:		
December 31, 2014 and 2013	13,337,448	\$ 63,109

On November 12, 2014, the Company declared a quarterly dividend of \$0.02 per share which was paid on January 15, 2015. In addition, the Company paid quarterly dividends of \$0.02 per share on each of April 17, July 15, and October 15, 2014.

For the year ended December 31, 2014, the Company declared and paid dividends in the amount of \$1,067,000 (2013 - \$1,067,000).

## 12. Stock-based compensation:

In 2005, the Company established a Stock Appreciation Rights plan (the SARs Plan) granted by the Company's Board of Directors subject to terms and conditions of the Canlan Ice Sports Corp. Director and Employee Stock Appreciation Rights Plan (2006). The SARs Plan provides eligible directors and employees of the Company with the right to receive cash equal to the appreciation of the Company's common shares subsequent to the date of grant.

# CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements  
(Tabular amounts expressed in thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2014 and 2013

## 12. Stock-based compensation (continued):

The table below summarizes the change in the number of SARs:

	Number of SARs	Weighted average exercise price
Number of SARs outstanding, December 31, 2012	708,025	\$ 1.81
Granted	650,250	2.30
Exercised	(580,025)	1.84
Number of SARS outstanding, December 31, 2013	778,250	2.20
Granted	140,000	2.69
Exercised	(233,415)	1.97
Forfeited	(35,000)	2.30
Balance, December 31, 2014	649,835	\$ 2.38
Exercisable, December 31, 2013	97,000	\$ 1.68
Exercisable, December 31, 2014	99,665	\$ 2.30

The following table summarizes information about the stock appreciation rights outstanding at December 31, 2014:

Exercise price	Rights outstanding			Rights exercisable	
	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$ 2.30	509,835	23 months	\$ 2.30	99,665	\$ 2.30
\$ 2.60	35,000	28 months	\$ 2.60	-	\$ 2.60
\$ 2.51	70,000	30 months	\$ 2.51	-	\$ 2.51
\$ 3.14	35,000	35 months	\$ 3.14	-	\$ 3.14

During the year ended December 31, 2014, the Company recognized compensation expense of \$315,000 (2013 - recovery of \$68,000) in respect of the SARs Plan. This amount was calculated in accordance with the fair value method of accounting. At December 31, 2014, the SARs liability included within accounts payable and accrued liabilities was \$164,000 (2013 - \$56,000). Subsequent to December 31, 2014, 56,100 SARs were exercised.

# CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements  
(Tabular amounts expressed in thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2014 and 2013

## 12. Stock-based compensation (continued):

The fair value of SARs was estimated using the Black-Scholes pricing model with the following assumptions:

	2014	2013
Risk free interest rate	1.21%	1.62%
Expected dividend yield	2.57%	3.70%
Expected lives of rights	23 to 35 months	4 to 35 months
Expected volatility	25% - 27%	25% - 28%

Risk free interest rate is the Government of Canada long-term bond rate. Expected dividend yield assumes a continuation of the most recent dividend payment for the quarterly dividends. Expected lives of rights are based on historical experience of rights being exercised. Expected volatility is based on the historical share price volatility over the past 23 months to 35 months.

## 13. General and administration expenses:

General and administration expenses consist of the following:

	2014	2013
Salaries, wages and benefits	\$ 3,339	\$ 3,331
Professional and regulatory fees	324	325
Stock appreciation rights	315	(68)
Office	286	287
Travel	167	216
Other	128	143
	\$ 4,559	\$ 4,234

## 14. Commitments and contingencies:

(a) At December 31, 2014, the Company has lease agreements with third parties under the terms of which the Company leases and operates certain ice rink and recreational facilities. During the lease terms, the Company assumes the financial risks and rewards of the facilities' operations, but there will be no transfer of ownership. Accordingly, the lease agreements have been accounted for as operating leases. The total minimum lease payments are as follows:

Not later than one year	\$ 1,156
Later than one year and not later than five years	4,688
Later than five years	9,853



# CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements  
(Tabular amounts expressed in thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2014 and 2013

## 14. Commitments and contingencies (continued):

(a) Continued:

The lease expenditure charged to net earnings during the year is presented as facility lease in the consolidated statement of earnings and comprehensive income.

Terms of facility operating leases are as follows:

- (i) A two-pad facility in British Columbia with a lease term that ends on December 31, 2024.
  - (ii) A two-pad facility in Ontario with a lease term that ends on January 31, 2020.
  - (iii) On August 1, 2006, the Company purchased a six-pad rink facility in Toronto, Ontario. Upon purchase, the Company assumed a forty-nine year land lease agreement related to the land on which the facility is situated. The land lease agreement is with a third party and ends on October 30, 2044.
  - (iv) A multi-sport facility in Mississauga with a lease term that began on April 1, 2012 and will end on October 15, 2023, with two five-year renewal options.
- (b) Due to the nature of the sports and recreation business, various lawsuits involving the Company are pending. The financial impact of these lawsuits is not determinable, but management believes, based on legal counsels' opinions, that the outcome will not materially affect the Company's financial position.
- (c) At December 31, 2014, the Company has letters of guarantee outstanding with various vendors in the amount of \$1,055,000.

## 15. Income taxes:

(a) The major factors which caused variations from the Company's expected combined federal and provincial income tax rate of 32% for 2014 (2013 - 32%) were as follows:

	2014	2013
Statutory rate applied to earnings before income taxes	\$ 575	\$ 541
Change in deferred tax assets not recognized	377	442
Substantively enacted tax rate change	(157)	(133)
Permanent differences and other	110	(257)
Income tax expense	\$ 905	\$ 593

# CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements  
(Tabular amounts expressed in thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2014 and 2013

## 15. Income taxes (continued):

(b) The tax effects of timing differences that give rise to deferred tax assets and liabilities are presented below.

	2014	2013
Deferred income tax assets:		
Unused tax losses	\$ 35	\$ 77
Deferred revenue	140	157
Properties	983	919
Other	150	81
	1,308	1,234
Deferred income tax liability:		
Properties	(939)	(737)
Financing fees	(25)	(40)
Other	(7)	-
	(971)	(777)
Net deferred income tax assets	\$ 337	\$ 457

The following deferred tax assets have not been recognized as at December 31, 2014 and December 31, 2013:

	2014	2013
U.S. tax losses set to expire between 2018 and 2034	\$ 3,157	\$ 2,774
Tax losses that do not expire	36	42
Deductible temporary differences	61	61
	\$ 3,254	\$ 2,877

## 16. Financial instruments:

(a) Fair value:

The Company has the following financial instruments: cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and debt. The carrying values of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities are considered by management to approximate their fair values due to their short-term nature.

CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements  
(Tabular amounts expressed in thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2014 and 2013

16. Financial instruments (continued):

(a) Fair value (continued):

Debt is categorized as Level 2 within the fair value hierarchy. The fair value of debt included in the statement of financial position is as follows:

	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Debt	\$ 51,771	\$ 52,697	\$ 39,774	\$ 40,780

The Company had previously entered into an interest rate swap agreement to fix the interest rate on a portion of its debt (note 10), which matured during the year. At December 31, 2013, the fair value of the interest rate swap was \$19,000 and was presented as a current liability on the statement of financial position. Changes in the fair value of the interest rate swap were recognized in net earnings. For the year ended December 31, 2014, a gain of \$19,000 (2013 - \$19,000) was recognized.

The interest rate swap was classified as Level 2 in the fair value hierarchy.

(b) Financial risk management:

(i) Interest rate risk:

The terms of the Company’s outstanding debt are described in note 10. As certain of the Company’s debt instruments bear interest at floating rates and are not hedged by interest rate swaps, fluctuations in these rates will impact the cost of financing incurred in future periods. A change in the base market rates upon which these loans accrue interest by 1% will increase or decrease interest expense by approximately \$241,000 (2013 - \$104,000) per annum.

(ii) Liquidity risk:

Liquidity risk is the risk from the Company’s potential inability to meet its financial obligations. The Company constantly monitors its cash flows and operations to ensure current and long-term obligations can be met. The Company’s capital resources are comprised of cash and cash equivalents and cash flow from operating activities. A portion of the cash and cash equivalents at December 31, 2014 consists of customer deposits received in advance of the services being provided.

CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements  
(Tabular amounts expressed in thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2014 and 2013

16. Financial instruments (continued):

(b) Financial risk management (continued):

(iii) Credit risk:

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company’s accounts receivable. Effective monitoring of accounts receivable is a core control procedure of the Company and appropriate provisions are recorded for impaired accounts. Historically, the Company has not experienced significant losses related to trade accounts receivable from individual customers. The Company does not face any material concentrations of credit risk. The Company’s credit risk on cash and cash equivalents is limited as it maintains its holdings with large highly rated financial institutions.

(iv) Currency risk:

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currency of the Company, the Canadian dollar. The currency in which these transactions primarily are denominated in is the U.S. dollar. At December 31, 2014, the Company has US\$10,800,000 debt repayable in U.S. currency (note 10). The Company is exposed to the risk of loss depending on the relative movement of this currency against the Canadian dollar. The Company does not currently enter into forward contracts to mitigate this risk. As at December 31, 2014, if the Canadian dollar had strengthened or weakened by 5% in relation to the U.S. dollar, with all other factors remaining constant, the debt repayable in U.S. currency could have decreased or increased by approximately \$626,000 (2013 - \$114,000), respectively.

17. Capital risk management:

The Company defines capital that it manages as the sum of cash and cash equivalents, long-term borrowings, and shareholders’ equity.

The Company’s objectives when managing its capital are:

- (a) To safeguard the Company's ability to continue as a going concern so that it can provide services to its customers and continue to reduce debt;
- (b) To comply with debt covenants;
- (c) To return excess cash to shareholders through payment of dividends; and
- (d) To maintain a financial position suitable for supporting the Company’s growth strategies and provide an adequate return to shareholders.



# CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements  
(Tabular amounts expressed in thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2014 and 2013

### 17. Capital risk management (continued):

The Company executes a planning and budgeting process to determine the funds required to ensure the Company has appropriate liquidity to meets its operating and growth objectives. The Company ensures that there are sufficient credit facilities to meet its current and future business requirements, taking into account its anticipated cash flows from operations and its holding of cash and cash equivalents. The Company complies with covenant criteria established by its lenders. These include tangible net worth and debt coverage ratio measurements. As at December 31, 2014 and 2013, the Company was in compliance with these covenants. The Company is not subject to any statutory capital requirements, and has not made any changes with respect to its overall capital management strategy during the years ended December 31, 2014 and 2013.

### 18. Related party transactions:

- (a) During the year, the Company expensed \$149,000 (2013 - \$162,000) in directors' fees.
- (b) The Chairman of the Board of Directors of the Company is a Director, and a Director of the Company is the Chairman of the Board of Directors, of a vendor from which the Company purchases services in the normal course of business. Purchases from this vendor for the year ended December 31, 2014 were \$69,000 (2013 - \$56,000).
- (c) The Company's majority shareholder is Bartrac Investments Ltd. ("Bartrac"). Two of the Company's Directors are also Directors of Bartrac. During the year ended December 31, 2014 and 2013, there were no related party transactions between the Company and Bartrac.
- (d) The Company's key management personnel include the Directors of the Company, executive officers and certain members of the senior management group. Key management personnel compensation comprised the following:

	2014	2013
Short-term employee benefits	\$ 1,652	\$ 1,700
Stock appreciation rights	315	(68)
Post employment benefits	85	70
	\$ 2,052	\$ 1,702

- (e) Directors and executive officers participate in the Company's stock appreciation rights program (note 12). During the year ended December 31, 2014, the Company paid \$206,000 (2013 - \$484,000) related to stock appreciation rights exercised.

# CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements  
(Tabular amounts expressed in thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2014 and 2013

### 19. Segmented information:

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

(a) Ice rink and recreational facilities revenue:

	2014	2013
Ice and field sales	\$ 56,689	\$ 54,611
Food and beverage	11,616	11,050
Sports store	2,179	2,062
Tournament operations	2,279	2,176
Sponsorship	1,276	1,221
Space rental	767	768
Management and consulting fees	201	180
Other	725	723
	\$ 75,732	\$ 72,791

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

(b) Geographic:

	2014			2013		
	Canada	USA	Total	Canada	USA	Total
Revenue	\$ 70,150	\$ 5,582	\$ 75,732	\$ 67,939	\$ 4,852	\$ 72,791
Non-current assets	85,270	14,668	99,938	86,889	4,743	91,632
Total assets	101,297	16,725	118,022	99,119	6,442	105,561

### 20. Supplemental cash flow information:

	2014	2013
(a) Net changes in non-cash working capital:		
Accounts receivable	\$ (448)	\$ (513)
Inventory	58	(20)
Prepaid expenses	(311)	87
Accounts payable and accrued liabilities	(9)	446
Deferred revenue and customer deposits	117	(132)
Effect of change in foreign currency	(142)	(107)
	\$ (735)	\$ (239)
(b) Non-cash transactions:		
Finance lease obligations	\$ 949	\$ 897



# CANLAN ICE SPORTS CORP.

Notes to Consolidated Financial Statements  
(Tabular amounts expressed in thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2014 and 2013

**21. Expenses by function:**

The Company’s consolidated statement of earnings and comprehensive income presents expenses on a mixed basis. IFRS requires a Company to present expenses according to its nature or function. The following information has been provided to disclose the Company’s expenses by function:

	2014	2013
Ice rink and recreational facilities expense	\$ 66,049	\$ 64,218
General and administrative expenses	\$ 4,731	\$ 4,418
Other expenses	\$ 619	\$ 95

The changes in the above table, as compared to the consolidated statement of earnings and comprehensive income, relate to depreciation of \$6,132,000 (2013 - \$5,633,000) being allocated from other expenses to ice rink and recreational facilities in the amount of \$5,960,000 (2013 - \$5,449,000), and to general and administrative expenses in the amount of \$172,000 (2013 - \$184,000).

**22. Subsequent event:**

On January 30, 2015, the Company completed the purchase of a recreation facility in Lake Barrington, Illinois for \$7,121,000 (US\$5,600,000). The purchase was financed with a new U.S. denominated term loan of \$2,797,000 (US\$2,200,000) and surplus cash. The loan matures on February 1, 2020 and accrues interest at LIBOR plus 2.5% per annum, payable monthly. This credit facility is secured by a first mortgage on the respective land and building.







# Five Year Review

## Statements of Financial Position

		IFRS				
IN THOUSANDS, EXCEPT STATISTICS		2014	2013	2012	2011	2010
<b>Assets:</b>						
Property, plant and equipment – facilities	\$ 97,682	\$ 89,401	\$ 84,384	\$ 84,303	\$ 84,600	
Other	19,032	14,926	17,358	18,412	17,612	
Deferred tax assets	1,308	1,234	1,082	2,025	3,414	
	\$ 118,022	\$ 105,561	\$ 102,824	\$ 104,740	\$ 105,626	
<b>Liabilities:</b>						
Debt	\$ 51,771	\$ 39,774	\$ 37,832	\$ 40,899	\$ 44,022	
Other	20,495	20,054	19,486	18,666	18,348	
Deferred tax liabilities	971	777	579	543	667	
	\$ 73,237	\$ 60,605	\$ 57,897	\$ 60,108	\$ 63,037	
<b>Shareholders’ equity:</b>						
Share capital	\$ 63,109	\$ 63,109	\$ 63,109	\$ 63,109	\$ 63,109	
Contributed surplus	543	543	543	543	543	
Deficit	(18,867)	(18,696)	(18,725)	(19,020)	(21,063)	
	\$ 44,785	\$ 44,956	\$ 44,927	\$ 44,632	\$ 42,589	
<b>Statistics:</b>						
Debt to equity ratio	1.20:1	0.92:1	0.87:1	0.94:1	1.07:1	
Share price range	\$2.30-3.34	\$2.08-3.19	\$1.70-3.46	\$1.60-2.23	\$1.50-2.25	

## Statements of Earnings

		IFRS				
IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS		2014	2013	2012	2011	2010
Facility revenue	\$ 75,732	\$ 72,791	\$ 72,823	\$ 71,966	\$ 69,909	
Facility operating expenses	60,089	58,769	57,912	57,847	55,627	
General and administrative	4,559	4,234	5,154	4,271	4,564	
	\$ 64,648	\$ 63,003	\$ 63,006	\$ 62,118	\$ 60,191	
<b>Earnings before interest, taxes, depreciation and amortization</b>	<b>11,084</b>	9,788	9,757	9,848	9,718	
<b>Other expenses:</b>						
Depreciation	6,132	5,633	5,112	5,150	4,986	
Net finance cost	2,532	2,371	2,381	2,867	3,015	
Other	619	95	(23)	(2,282)	(78)	
Income tax expense	905	593	992	1,269	1,062	
	10,188	8,692	8,462	7,004	8,985	
<b>Net earnings</b>	<b>\$ 896</b>	\$ 1,096	\$ 1,295	\$ 2,844	\$ 733	
<b>Basic &amp; fully diluted earnings per common share</b>						
	\$0.07	\$0.08	\$0.10	\$0.21	\$0.05	
Issued and average shares outstanding at year end	13,337,448	13,337,448	13,337,448	13,337,448	13,337,448	



# Corporate Information

## DIRECTORS

### W. Grant Ballantyne

Chairman, Canlan Ice Sports Corp.  
Victoria, BC

### Frank D. Barker

Partner, Kinetic Capital Partners  
Vancouver, BC

### Geoffrey J. Barker

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

### Charles Allen

Chairman, TeraGo Inc.  
Whitby, ON

### William G. Bullis

Retired  
Victoria, BC

### Victor D'Souza

Managing Director,  
Reignite Capital  
Toronto, ON

### Doug Brownridge

Director  
Coast Capital Savings Credit Union  
Vancouver, BC

### Joey St-Aubin

President & CEO  
Canlan Ice Sports Corp.  
Courtice, ON

## SOLICITORS & REGISTERED OFFICE

Edwards, Kenny & Bray LLP  
19<sup>th</sup> Floor, 1040 West Georgia Street,  
Vancouver, BC V6E 4H3

## AUDITORS

KPMG LLP  
777 Dunsmuir Street,  
Vancouver, BC V7Y 1K3

## REGISTRAR & TRANSFER AGENT

Computershare Investor Services  
8th Floor, 151 Front Street, Toronto, ON M5J 2N1  
and 510 Burrard Street, Vancouver, BC V6C 3B9

## OFFICERS

### W. Grant Ballantyne

Chairman

### Joey St-Aubin

President & CEO

### Michael F. Gellard

Senior Vice-President & CFO

### Mark Faubert

Senior Vice-President of Operations

### Ken Male

Vice-President  
Partnership Solutions

### Paul Dillon

Vice-President  
Sales, Marketing & Service

### Shari Lichterman

Vice-President  
Eastern Operations

### Greg Porcellato

Vice-President  
Western Operations

### Mark E. Reynolds

Vice-President  
Human Resources & Chief Privacy Officer

### Ivan C. Wu

Vice-President  
Finance

## HEAD OFFICE

6501 Sprott Street,  
Burnaby, BC V5H 3B8  
T: 604.736.9152 F: 604.736.9170

## TORONTO OFFICE

989 Murray Ross Parkway (on the campus of York University),  
North York, ON M3J 3M4  
T: 416.661.4423 F: 416.661.4422

## SHARES LISTED

Toronto Stock Exchange, Symbol ICE

## CORPORATE WEBSITE

[www.icesports.com](http://www.icesports.com)



# WHERE THE EXPERIENCE IS EVERYTHING

**TORONTO OFFICE**

989 Murray Ross Parkway  
North York, Ontario  
M3J 3M4

---

**HEAD OFFICE**

6501 Sprott Street  
Burnaby, British Columbia  
V5B 3B8