

2015
ANNUAL REPORT

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





06	Letter to Shareholders
08	Facility Locations
12	Financial Highlights
13	Management's Discussion and Analysis
37	Independent Auditors' Report
39	Consolidated Financial Statements
57	Five Year Review
58	Corporate Information



LETTER TO SHAREHOLDERS

In 2015, Canlan reached several milestones that were of particular importance in our company's life cycle. I truly believe each of these achievements reflects the commitment and innovation that the Canlan team demonstrates each and every day.

Firstly, we generated \$79.4 million of revenue and earned \$11.4 million of EBITDA, which was 5% and 3% greater than the prior year, respectively. It was the highest revenue and EBITDA year in the history of the Company. Over the past several years, some of the markets in which we operate have faced a significant increase in competition. However, by providing a consistently high level of customer service, ensuring our recreation facilities are well maintained, and expanding beyond ice sports, we have been able to continue growing revenue and operating earnings, and reaching the record highs we saw over the past year.

In addition, Canlan's Adult Safe Hockey League (the "ASHL") celebrated its 20th Anniversary in 2015. The ASHL is our most successful program and through two decades, remains the largest adult recreational hockey league in North America. With over 3,800 teams playing throughout the year in both Canada and the U.S., and an additional 1,200 teams playing in the Adult Safe Hockey Network's affiliated leagues in various Provinces and Territories, we are privileged to be a large part of a sport that has been woven into Canada's culture, and experiencing significant growth in popularity in the U.S. The adult "rec" hockey business is no doubt competitive, but we believe our league organization, strict focus on safety, and innovative online team management tools provide a leading edge experience for our customers. In fact, in 2015, Canlan received a Technology Impact Award from the BC Technology Industry Association. Working with an external developer, we created the "Player's Bench," a mobile responsive application for ASHL players designed to provide them a centralized portal to access tools they need for efficient team management and social networking.

Canlan added to its portfolio of recreation facilities in 2015 by purchasing a sports complex in Lake Barrington, Illinois, a suburb of the greater Chicago area. Sportsplex Lake Barrington is a 175,000 square-foot facility that contains two gymnasiums, a FIFA-sized soccer field, a strength & conditioning center, tenant space and a licensed concession. This is our second non-ice multi-sport complex and is much larger than the first project located in Mississauga, Ontario. As a result of a tremendous transition effort by the operations team, the facility is off to a great start and has met expectations through the first 12 months of business.



We are proud of these three notable milestones, along with other achievements of 2015; however, the year still had its challenges. One of the most significant continues to be the heavy cost burdens we face in our Ontario facilities from electricity surcharges imposed by the Province's energy authorities. Despite investing in new equipment and prudently managing our energy consumption over the past several years, our utility costs have increased by over 40% in that market making it very difficult to maintain margins and meet other fiscal needs. As counter measures, our team is working on innovative approaches to further reduce energy consumption and trim costs in other areas of the business without impacting the customer experience.

Another challenge was our ice rink facility in Fort Wayne, Indiana falling short of targets in 2015. Due to this and other shortfalls experienced over the past several years, we recognized a valuation impairment charge for accounting purposes. Although the purchase of the facility is still expected to strategically benefit the company in the longer term, we've reduced its book value to reflect the fact it has taken longer than anticipated to stabilize the business that we began operating in 2010 and purchased in 2014. We continue to focus on building top line revenue here by developing the market and striving to make this facility a recreation destination for the Fort Wayne community and beyond.

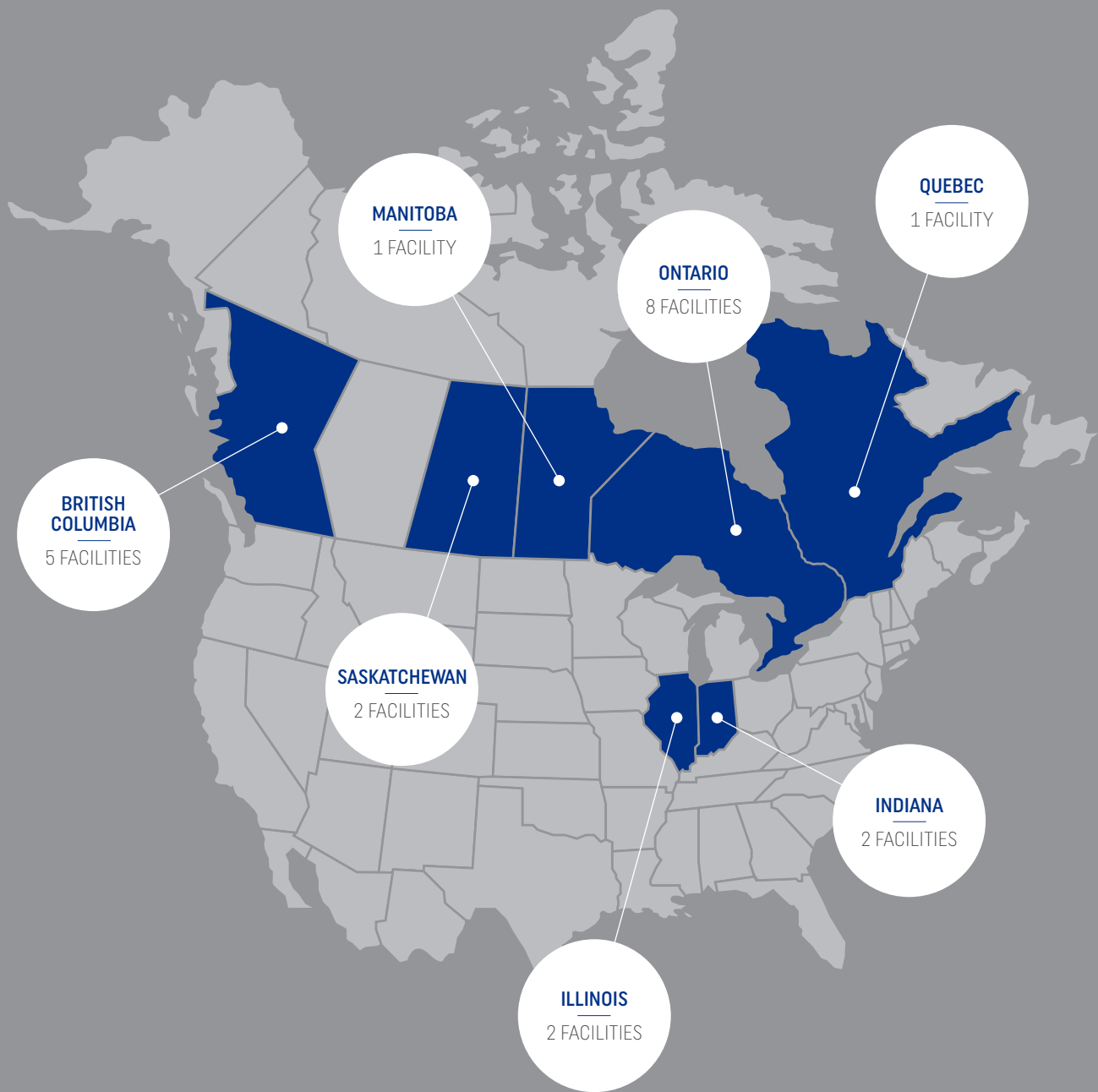
To overcome obstacles such as these, a company must have the support team in place and once again, I truly believe we have a team of employees ready and willing to deal with the challenges, continue to grow the business, and move the company in a forward direction. The extensive knowledge and ability of our staff is second to none and I want to thank the entire Canlan team for making 2015 a successful year. In addition, on behalf of the Executive Team and our Board of Directors, I wish to thank our customers for including Canlan in your recreation activities, and I want to thank our business partners and shareholders for your ongoing support.

Sincerely,

A handwritten signature in black ink, appearing to be 'J. St-Aubin'.

Joey St-Aubin
President and 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	1 ice rink &
		Parks & Recreation 	1 outdoor pool
Saskatchewan	Saskatoon	Ice Sports Gemini 	4 ice rinks
		Ice Sports Agriplace 	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 	2 ice rinks
		Canlan Sportsplex Mississauga 	2 multi-sport courts
	Clarence-Rockland	CIH Arena 	2 ice rinks
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

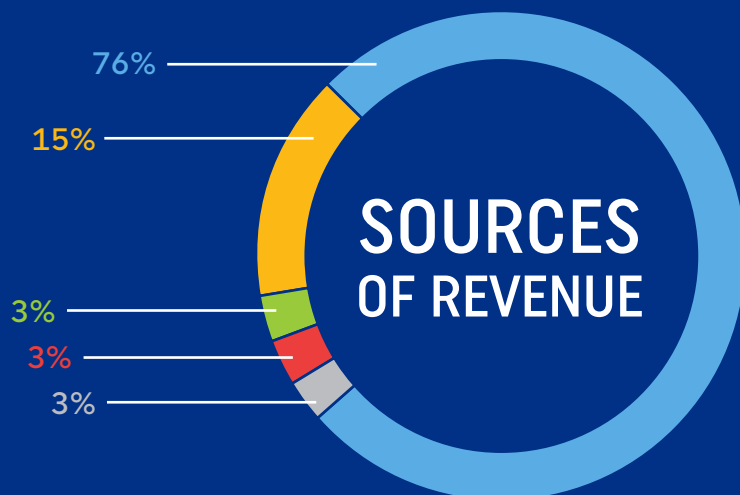
 Owned Property
  Leased Property
  Managed Property
  Operating Agreement



The image shows an indoor ice hockey rink. In the foreground, a blue and black hockey stick with the brand name "BEUER" is lying on the ice. The ice surface is marked with various lines and has some snow or ice shavings scattered on it. In the background, there is a white wall with a sign that partially reads "ink 2". Above the wall, there are several rectangular fluorescent lights mounted on the ceiling. The overall lighting is dim, with the primary light source being the overhead fixtures.

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

FINANCIAL HIGHLIGHTS



ICE & FIELD

76%

FOOD & BEVERAGE

15%

SPONSORSHIP, SPACE RENTAL & OTHER

3%

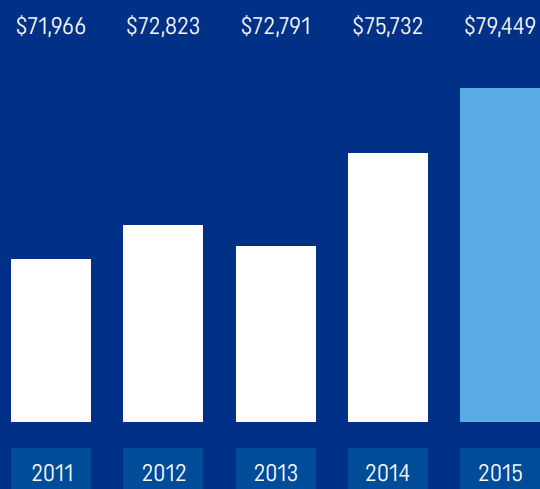
SPORTS STORE

3%

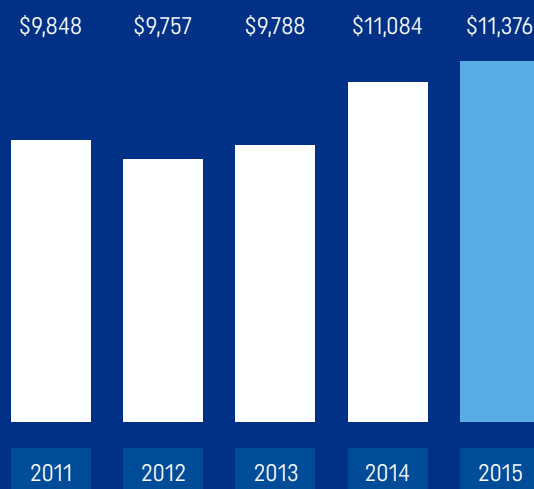
TOURNAMENT DIVISION

3%

IN THOUSANDS, EXCEPT PER SHARE INFORMATION	2015	2014	2013
Revenue	\$79,449	\$75,732	\$72,791
Earnings before interest, taxes, depreciation and amortization (EBITDA)	11,376	11,084	9,788
Net earnings (loss) before taxes	(3,605)	1,801	1,689
Net earnings (loss)	(3,602)	896	1,096
Total assets	120,604	118,022	105,561
Shareholders equity	43,728	44,785	44,956
Earnings (loss) per common share	\$(0.27)	\$0.07	\$0.08
Shareholders equity per share	\$3.28	\$3.36	\$3.37
Weighted average common shares	13,337,448	13,337,448	13,337,448



Revenue (in thousands)



EBITDA (in thousands)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's 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, 2015 and 2014. This document should be read in conjunction with our audited consolidated financial statements for the years ended December 31, 2015 and 2014 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 and our website www.icesports.com.

The date of this MD&A is March 23, 2016.

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.

SUMMARY OF 2015

- Record revenue of \$79.4 million, an increase of \$3.7 million or 4.9% compared to 2014; same store revenue increased by \$2.2 million or 2.9%;
- Record EBITDA of \$11.4 million, an increase of \$0.3 million or 2.6% compared to 2014;
- Q4 revenue of \$22.9 million (a record high since Canlan began focusing on recreation in 1998) increased by \$1.0 million or 4.6% compared to 2014; same store revenue increased by \$0.6 million or 2.6%;
- Due to a change in accounting policy, the Company recorded a foreign currency translation difference of \$3.6 million in other comprehensive income that increased shareholders' equity. This difference reflects the net effect of translating U.S. operations' financial results and net asset balances (see "Review of Fiscal 2015 Operations - Foreign Currency Translation and Other Comprehensive Income.");
- The Company completed a \$1.1 million renovation on time in our Winnipeg facility. This renovation has greatly improved the facility's accessibility and ice condition;
- On January 30, 2015, the Company completed the purchase of a multi-sport recreation facility in Lake Barrington, Illinois for \$7.1 million (US\$5.6 million). This Sportsplex contains a FIFA-sized soccer field and two full gymnasiums capable of housing basketball and volleyball play. The purchase was financed with a term loan of \$2.8 million (US\$2.2 million) and surplus cash;
- An impairment charge of \$4.1 million was recognized for accounting purposes to write down the carrying value of an ice rink facility in Fort Wayne, Indiana; and
- Canlan received a 2015 Technology Impact Award (TIA) in the category of Adoption of Technology from the BC Technology Industry Association (BCTIA). Working with a third-party software developer, Player's Bench is a mobile responsive application designed to enhance player's experiences within Canlan's adult recreation hockey league and provide a centralized portal for players to access to tools they need including efficient team management and social networking.

SAME STORE ANALYSIS

On January 30, 2015, the Company completed the purchase of a multi-sport recreation facility in Lake Barrington, Illinois. This MD&A will refer to "same store" results, which excludes the effect of this new facility.

OVERVIEW OF THE COMPANY

Canlan Ice Sports Corp. is a leading operator of ice rink and multi-purpose recreational facilities. The Company's head office is located in its Burnaby, B.C. sports complex 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.

As at the date of this MD&A the Company owns, leases or manages a network of 21 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 two facilities on behalf of a third party.

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 42% of our ice and field revenue is generated by the ASHL.

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

	NUMBER OF FACILITIES	SURFACES
2015	21	83
2014	20	81
2013	18	68
2012	20	70
2011	20	66

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

CANADA					
	FACILITIES	ICE SURFACES	INDOOR TURF FIELDS	COURTS ^A	TOTAL PLAYING SURFACES
British Columbia	5	14	1	–	15
Saskatchewan	2	6	–	–	6
Manitoba	1	3	1	–	4
Ontario	8	24	2	9	35
Quebec	1	4	–	–	4
	17	51	4	9	64
USA					
Illinois	2	3	1 ^B	4	8
Indiana	2	3	–	8	11
	4	6	1	12	19
	21	57	5	21	83

Note

^A Includes 11 indoor volleyball courts, 4 outdoor beach volleyball courts, 4 basketball courts and 2 sport courts

^B This is a FIFA regulation field

ABOUT CANLAN

Canlan is a publicly traded Canadian Company with its shares listed on the Toronto Stock Exchange (TSX) using the trading symbol ICE. Canlan's shares were first listed for trading on March 1, 1990. There are approximately 13.3 million shares outstanding and have traded in the \$3.15 to \$3.65 range since December 31, 2015. The Company has not issued any shares since November 2004.

The Company derives revenue from seven primary sources:

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 42% of our total ice and field revenue from rentals and programming, or \$25.4 million. It also represents 32% 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 Team

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 segment and we attract skilled people in the industry. Our employees have industry-specific knowledge and are focused on providing quality customer service and a safe environment. In addition, Canlan's executive team is comprised of eight individuals who plan and monitor operations in all departments, sets policies, as well as continually assesses future growth strategies. These individuals have extensive expertise in facility operations, sales, marketing, customer service, finance and human resources.

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 64,000 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.

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, 2015, 2014, and 2013 and each of the quarters and years then ended has been derived from our 2015 and 2014 annual and interim consolidated financial statements. This data should be read together with those financial statements.

IN THOUSANDS, EXCEPT EARNINGS PER SHARE	(UNAUDITED) QUARTER ENDED DECEMBER 31		(AUDITED) YEAR ENDED		
	2015	2014	2015	2014	2013
Statement of Operations Data					
Total revenue	\$22,889	\$21,888	\$79,449	\$75,732	\$72,791
Direct expenses (1)	(15,987)	(15,623)	(63,769)	(60,089)	(58,769)
General & administration expenses	(1,018)	(1,315)	(4,304)	(4,559)	(4,234)
EBITDA	5,884	4,950	11,376	11,084	9,788
Other Expenses					
Depreciation	(1,775)	(1,677)	(6,954)	(6,132)	(5,633)
Finance costs	(701)	(701)	(2,888)	(2,532)	(2,371)
Foreign exchange loss	(67)	(344)	(1,053)	(666)	(105)
Impairment loss	(4,070)	-	(4,070)	-	-
Others	3	48	(16)	47	10
Tax recovery (expense)	(131)	(561)	3	(905)	(593)
Net earnings (loss)	\$(857)	\$1,715	\$(3,602)	\$896	\$1,096
Other comprehensive income	106	-	3,612	-	-
Total comprehensive income (loss)	\$(751)	\$1,715	\$10	\$896	\$1,096
Basic and fully diluted earnings (loss) per share	\$(0.06)	\$0.13	\$(0.27)	\$0.07	\$0.08
Balance Sheet Data					
Cash			\$10,065	\$13,534	\$10,080
Current assets (excluding cash)			4,358	4,550	3,849
Capital assets			104,205	98,252	89,971
Other assets			1,976	1,686	1,661
Total assets			\$120,604	\$118,022	\$105,561
Current liabilities, excluding debt			\$20,457	\$18,684	\$18,595
Mortgage debt			53,152	51,771	39,774
Equipment leases			2,610	1,811	1,459
Deferred tax liabilities			657	971	777
Total liabilities			76,876	73,237	60,605
Shareholders equity			43,728	44,785	44,956
			\$120,604	\$118,022	\$105,561
Dividends declared and paid			\$1,067	\$1,067	\$1,067

(1) Direct expenses include all operating costs related to the operation of our facilities.

REVIEW OF FISCAL 2015 OPERATIONS

Revenue

Total revenue of \$79.4 million increased by \$3.7 million or 4.9% compared to 2014. Same store revenue increased by \$2.2 million or 2.9%.

Approximately 76% or \$60.0 million (2014 - \$56.7 million) of the Company's total revenue is generated from ice and field 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.

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 2015, the ASHL generated revenue of \$25.4 million compared to \$24.9 million in 2014, which represents an increase of \$0.5 million or 2.0%. The increase was mainly due to revenue growth from the Western Canada and U.S. 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.

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 \$4.0 million increased by \$0.4 million or 11.3% compared to 2014 due to the growth of youth hockey leagues in various markets.

Canlan Camps, Hockey and Skating Academies

Canlan offers a variety of developmental programs through our branded Canlan Camps and Hockey and Skating Academies. Canlan Camps operate 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 2015 we had approximately 34,500 participants (2014 - 34,000) in these programs and generated \$7.4 million in gross revenue; an increase of \$0.5 million or 6.7 % from \$6.9 million in 2014.

Contract Ice, Field and Court Rentals

After providing the necessary allocation of ice, field and court times to operate our in-house programs, we rent ice, field and courts to third parties. The ice, field and court time are 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 \$17.0 million in 2015; an increase of \$1.3 million or 8.4% from \$15.7 million in 2014. Same store contract rental revenue increased by \$0.5 million or 3.2%.

Soccer

Canlan operated five indoor soccer fields during 2015, one in Burnaby built in 2000, one in Winnipeg, built in 2006, two in Sportsplex Mississauga, Ontario built in 2012, and one FIFA-sized field in Lake Barrington, Illinois built in 2008 (newly acquired by the Company in 2015). Our approach to increasing utilization of these synthetic turf fields is similar to how we approach the ASHL. We have developed indoor soccer leagues at all of these facilities that consume evening and weekend times. Sportsplex Mississauga continued to grow its soccer league and contract revenue every year since 2011. The new multi-sport facility in Lake Barrington was in ramp-up phase in 2015 and operates a sizable youth indoor soccer league with over 120 teams.

The adult and youth indoor soccer leagues had approximately 9,000 players registered in these locations and the leagues operate in all seasons during the year.

Total soccer revenue of \$2.1 million in 2015 increased by \$0.4 million or 23.8% from 2014. Same store soccer revenue increased by \$0.2 million or 13.5%. A portion of this revenue growth resulted

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

IN THOUSANDS	2015		2014	
	REVENUE	% OF TOTAL	REVENUE	% OF TOTAL
Adult hockey leagues	\$25,434	42	\$24,922	44
3rd party contract users	17,010	28	15,704	28
Hockey & skating schools	7,407	12	6,936	12
Youth hockey leagues	4,029	7	3,620	6
Public programs & spot rentals	3,271	6	3,245	6
Soccer field rentals & leagues	2,053	3	1,658	3
In-house tournaments	273	1	273	-
Other	530	1	331	1
	\$60,007	100	\$56,689	100

from field inventory returning to full capacity in 2015 as the soccer field in Burnaby was shut down during the summer of 2014 due to a major renovation.

Food and Beverage (F&B)

Revenue from our 17 restaurant and concession operations was \$11.7 million in 2015 which remained relatively consistent with the prior year.

We operate all our restaurants in-house to ensure our customers receive quality products and service. The product mix between food sales and liquor sales, which was 57% and 43% respectively, remained relatively consistent with 2014. The main drivers for F&B revenue are adult league players and tournament traffic that play in our venues. Accordingly, regions that experienced increases in league and tournament traffic had F&B revenue growth that was offset by the regions that experienced declines.

Management is focusing on menu offerings, pricing, loyalty program and promotional programs to improve the customer experience in our restaurants.

Food and beverage sales accounted for 15% of total revenue which is consistent with 2014.

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 \$2.0 million in gross sales in 2015, compared to \$2.2 million in 2014. Sports store revenue represents 3% of total revenue. Skate sharpening revenue was \$0.5 million, unchanged from 2014. As with F&B, retail sales is largely dependent on ice utilization traffic.

Management Contracts

Management services revenue is comprised of fees for managing ice rink and sport complex facilities on behalf of owners and one-time consulting engagements. Management fee revenue of \$0.4 million was generated in 2015, compared to \$0.2 million a year ago. The increase was due to two new management contracts that generated a full year of revenue in 2015 compared to 2014. Currently we have four 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 \$2.5 million, increased by \$0.2 million or 7.6% from \$2.3 million in the prior year. The increase was mainly due to an increase in the number of tournaments and overall registrations in 2015. 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 \$2.3 million increased by \$0.2 million or 10.2%. The increase was mainly contributed by additional space rental revenue.

Other Revenue

Other revenue of \$0.6 million in 2015 remained steady with 2014. 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

IN THOUSANDS	2015		2014	
	SALES	% OF TOTAL	SALES	% OF TOTAL
Ice and Field Sales	\$60,007	76	\$56,689	75
Food and Beverage	11,684	15	11,616	15
Sports Store	2,012	3	2,179	3
Tournament Operations	2,452	3	2,279	3
Sponsorship	1,243	1	1,276	2
Space Rental	1,007	1	767	1
Management & Consulting Fees	402	–	201	–
Other	642	1	725	1
	\$79,449	100	\$75,732	100

IN THOUSANDS	2015		2014	
	SALES	% OF TOTAL	SALES	% OF TOTAL
Canada				
British Columbia	\$17,420	22	\$16,956	23
Saskatchewan	7,024	9	6,738	9
Manitoba	4,382	5	4,331	6
Ontario	37,299	47	37,228	49
Quebec	4,796	6	4,897	6
	70,921	89	70,150	93
USA	8,528	11	5,582	7
	\$79,449	100	\$75,732	100

Revenue by Quarter

The Company recorded the following revenue by quarter in 2015. 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).

IN THOUSANDS	2015		2014	
	REVENUE	% OF TOTAL	REVENUE	% OF TOTAL
Q1	\$22,575	28	\$21,198	28
Q2	17,476	22	16,480	22
Q3	16,509	21	16,166	21
Q4	22,889	29	21,888	29
	\$79,449	100	\$75,732	100

Direct Operating Costs

Total facility operating costs of \$63.8 million in 2015 increased by \$3.7 million or 6.1% compared to 2014. Same store operating costs increased by \$2.1 million or 3.5% compared to prior year, mainly due to an increase in labour costs, utilities, and customer service expenses. Labour costs increased by \$0.9 million or 3.3% 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 2014. We continuously monitor labour rates to stay competitive in all markets. Four of our facilities are subject to collective agreements with three different unions.

Higher utility expense was mainly due to an increase in regulatory surcharges on hydro electricity imposed by Ontario's power authority. While electricity consumption has been relatively stable, surcharges, called "Global Adjustment", imposed by Ontario utility regulators have increased costs by approximately \$0.5 million or 44.3% for the year. We have made concerted efforts to reduce power consumption but are otherwise limited in ways to control these punitive surcharges.

Customer service expenses such as prizing, league statistics, camp supplies, etc, increased by \$0.7 million or 6.9% from 2014 mainly due to servicing a higher volume of customers, and additional operating costs incurred by the Tournament Division. Furthermore, costs incurred to host the ASHL North American Championships (NAC) event which Canlan runs every second year contributed to the increase in marketing and customer service expenses. The NAC brings together teams from the Adult Safe Hockey League and Adult Safe Hockey Network in various divisions from across Canada and the U.S. into one venue to compete for Canlan's Adult recreational hockey championship.

Also included in operating costs are building and land lease payments related to four of our facilities. In 2015, rent payments of \$1.2 million decreased by \$0.4 million or 27.3% from 2014 mainly due to the 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.

IN THOUSANDS	2015		2014	
	COSTS	% OF TOTAL	COSTS	% OF TOTAL
Q1	\$15,901	25	\$14,574	24
Q2	16,351	26	15,174	25
Q3	15,530	24	14,718	25
Q4	15,987	25	15,623	26
	\$63,769	100	\$60,089	100

Operating Margin before General and Administration expenses

Operating margin is calculated as revenue less operating expenses expressed as a percentage of revenue. Affected primarily by the significant rise in Global Adjustment rates, operating margin for 2015 was 19.7% compared to 20.7% in 2014.

U.S. Facility Operations

In the United States, as at December 31, 2015, the Company operated two ice rink facilities; a three-pad facility in Fort Wayne, Indiana, and another three-pad facility in Romeoville, Illinois.

The Company also operated two multi-sports facilities in the United States. One of the facilities is operated under a management contract and is located in Fort Wayne, Indiana which contains eight volleyball courts or two full sized basketball courts. The other facility, located in Lake Barrington, Illinois, was newly purchased on January 30, 2015 for a price of \$7.1 million (US\$5.6 million). This multi-sports facility contains one 85,000

square feet FIFA-sized indoor turf field lined for multiple sports such as soccer, football, lacrosse and baseball, and two full gymnasiums capable of accommodating four basketball courts or eight volleyball courts.

The purchase of the Lake Barrington facility aligns with our strategy of expansion to complement our core ice facilities with 'non-ice' sports and recreation. This facility's performance for its first year was consistent with management's expectation and has contributed revenue from field and court rentals, soccer leagues, food and beverage operations and space rental fees.

The ice sports 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.

The ice sports facility in Fort Wayne, Indiana, was a leased property that commenced operations in 2010. In 2014, the Company exercised its option to purchase this facility for

US\$9.3 million as the longer-term benefits of ownership were favourable compared to a long-term lease. It has taken longer than anticipated to stabilize the business of this facility since its purchase; therefore, an impairment charge of \$4.1 million (US\$3.2 million) was recognized to reduce the accounting book value of the asset in 2015. The purchase of the facility is still expected to strategically benefit the Company in the longer term, and our focus to continue to build top line revenue growth through core ice sports product lines and tertiary revenue streams such as space rental and dry-floor recreation.

During 2015, total revenue from U.S. operations of US\$6.7 million increased by US\$1.6 million or 32.1%. Same store revenue increased by US\$0.5 million or 9.2%. The increase was mainly due to the growth in internally branded hockey leagues and third party contracts.

General and Administration Expenses

Corporate G&A expenses of \$4.3 million decreased by \$0.3 million or 5.6% compared to 2014 mainly due to lower salary expense and a reduction in stock-based compensation expense recognized for the year. Timing of corporate staff turnover resulted in lower labour costs compared to the prior year and stock-based compensation expense decreased due to lower volatility of the Company's share price in 2015. 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 G&A expenses remained consistent with 2014. G&A expense represented 5.4% of total revenue in 2015 compared to 6.0% of total revenue in 2014.

G&A expenses throughout the year are as follows:

IN THOUSANDS	2015		2014	
	EXPENSE	% OF TOTAL	EXPENSE	% OF TOTAL
Q1	\$1,255	29	\$1,181	26
Q2	1,113	26	1,084	24
Q3	918	21	979	21
Q4	1,018	24	1,315	29
	\$4,304	100	\$4,559	100

EBITDA¹

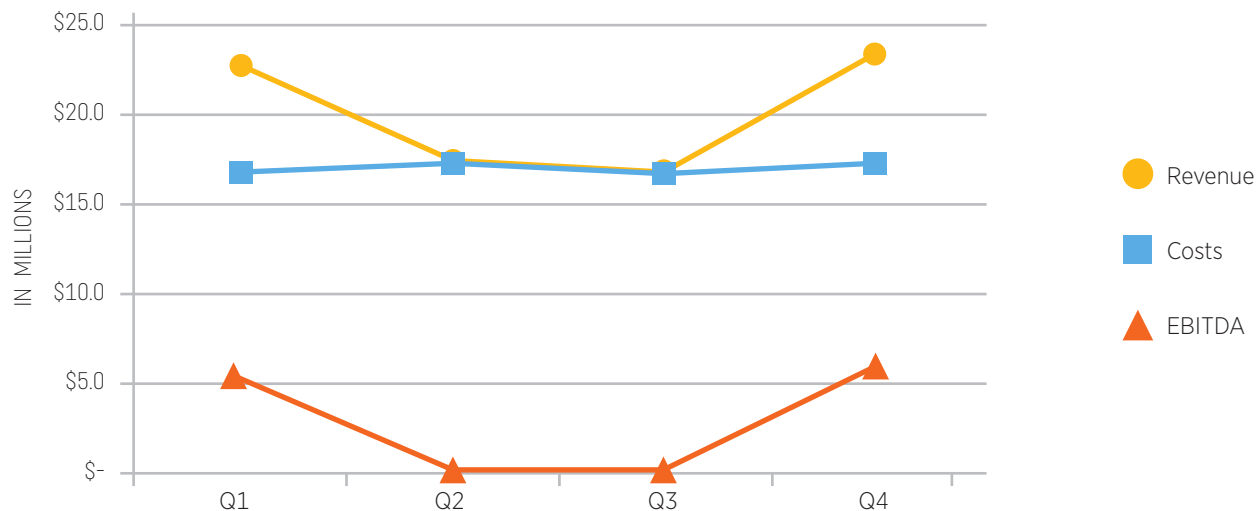
After accounting for ice rink operating costs of \$63.8 million (2014 - \$60.1 million) and G&A expenses of \$4.3 million (2014 - \$4.6 million), EBITDA was \$11.4 million; an increase of \$0.3 million or 2.6% compared to 2014.

The Company's EBITDA by quarter was as follows:

IN THOUSANDS	2015		2014	
	EBITDA	% OF TOTAL	EBITDA	% OF TOTAL
Q1	\$5,419	48	\$5,443	49
Q2	12	-	222	2
Q3	61	-	469	4
Q4	5,884	52	4,950	45
	\$11,376	100	\$11,084	100

¹ Non-IFRS measure – see explanation on page 13. See reconciliation to net income on page 25, and to cash flow on page 29.

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:



Gross Margin

Gross margin is calculated as revenue less operating and G&A expenses, expressed as a percentage of revenue. Gross margin for 2015 was 14.3% compared to 14.6% in 2014.

Non-Operating Expenses

Depreciation

Depreciation expense was \$7.0 million in 2015 compared to \$6.1 million in 2014. The increase is consistent with the increase in property, plant and equipment that resulted from new refrigeration equipment purchased in Ontario, the renovation project in the Winnipeg facility completed during the year and the full year of depreciation of the major renovation project in the Burnaby facility completed mid-2014.

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.

Impairment Loss

During the year, the Company has recognized an impairment loss of \$4.1 million in net earnings on a recreation property located in Fort Wayne, Indiana. As a result of economic conditions that differ from management's initial forecast, the carrying amount of the cash-generating unit was reduced to its net realizable value. See **U.S. Facility Operations** for further details.

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 \$2.9 million compared to \$2.5 million in 2014. The increase was mainly due to new debt obtained in September 2014 and January 2015.

A breakdown of our net finance cost is as follows:

IN THOUSANDS	2015	2014
Mortgage interest	\$2,703	\$2,387
Interest income	(62)	(92)
Equipment lease interest	109	92
Amortization of deferred financing costs and other	138	145
	\$2,888	\$2,532

At year end, the Company had interest bearing, mortgage secured debt totaling \$53.0 million (2014 – \$52.0 million).

The Company has fixed the interest rate on 52% of its mortgage debt, or \$27.5 million at a weighted average rate of 6.60%.

Debt with variable interest rates consists of \$13.3 million at the Prime rate plus 0.75%, \$3.4 million at 30-day BA rate plus 1.75%, and \$9.1 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 2015, this amounted to \$72,000 compared to \$100,000 in 2014.



Net Earnings Before Income Taxes

Net loss before income taxes was \$3.6 million in 2015 compared to net earnings of \$1.8 million in 2014.

Taxes

In 2015, the Company's Canadian operations generated positive taxable income that resulted in current tax expense of \$0.6 million (2014 - \$0.8 million) and deferred tax recovery of \$0.6 million (2014 - deferred tax expense of \$0.1 million). On a combined basis, income tax was nil compared to an income tax expense of \$0.9 million in 2014. The decrease in current tax expense is mainly due to lower Canadian taxable income earned in 2015. This expense is offset by a deferred tax recovery that resulted from a timing difference between tax and accounting depreciation.

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 \$11.5 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, 2015 because we have not yet developed a reasonably predictable pattern of profitability in U.S. operations.

Net Earnings

Net loss after tax for the year ended December 31, 2015 was \$3.6 million or a loss per share of \$0.27, compared to net earnings of \$0.9 million in 2014 or earnings per share of \$0.07.

Foreign Currency Translation and Other Comprehensive Income

Other comprehensive income comprises foreign currency translation adjustments related to the Company's U.S. subsidiaries. Other comprehensive income in 2015 was \$3.6 million (2014 - nil).

Prior to January 1, 2015, the functional currency of the Company's U.S. subsidiaries was determined to be the Canadian dollar but should have been the U.S. dollar. The impact of this difference on prior years was not material and accordingly the Company corrected the difference in the consolidated financial statements for the year ended December 31, 2015. This resulted in an increase to assets of \$1.1 million as at January 1, 2015, a decrease to foreign exchange loss of \$0.1 million for the year ended December 31, 2015, and an increase to other comprehensive income of \$1.0 million for the year ended December 31, 2015.

Transactions in U.S. dollars that are not part of the Company's U.S. subsidiaries, are recognized at the rates of exchange prevailing at the date of the transaction. In addition, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the period end date. As a result foreign currency differences arising on the re-translation are recognized in net earnings.



SUMMARY OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31 IN THOUSANDS	2015	2014	2013
Revenue	\$79,449	\$75,732	\$72,791
Expenses	63,769	60,089	58,769
Earnings from operations	15,680	15,643	14,022
General & administration	4,304	4,559	4,234
EBITDA	11,376	11,084	9,788
Other expenses (income)			
Depreciation	6,954	6,132	5,633
Loss (gain) on sale of assets	16	(47)	(10)
Impairment loss	4,070	-	-
Foreign exchange loss	1,053	666	105
	12,093	6,751	5,728
Finance costs (income)			
Finance costs	2,950	2,643	2,462
Finance income	(62)	(111)	(91)
	2,888	2,532	2,371
Net earnings (loss) before taxes	(3,605)	1,801	1,689
Income tax expense (recovery)			
Current	600	785	547
Deferred	(603)	120	46
	(3)	905	593
Net earnings (loss)	\$(3,602)	\$896	\$1,096
Other comprehensive income:			
Items that may be reclassified subsequently to net earnings			
Foreign currency translation differences	3,612	-	-
Total comprehensive income	\$10	\$896	\$1,096
Operating margin before general & administration	19.7%	20.7%	19.3%
Administration as a percentage of revenue	5.4%	6.0%	5.8%
EBITDA as a percentage of revenue	14.3%	14.6%	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.

IN THOUSANDS	2015				
	Q1	Q2	Q3	Q4	TOTAL
Gross revenue	\$22,575	\$17,476	\$16,509	\$22,889	\$79,449
Operating costs	(15,901)	(16,351)	(15,530)	(15,987)	(63,769)
	6,674	1,125	979	6,902	15,680
General & administration	(1,255)	(1,113)	(918)	(1,018)	(4,304)
EBITDA	5,419	12	61	5,884	11,376
Depreciation	(1,679)	(1,733)	(1,767)	(1,775)	(6,954)
Finance costs	(732)	(709)	(746)	(701)	(2,888)
Foreign exchange gain (loss)	(650)	111	(447)	(67)	(1,053)
Impairment loss	-	-	-	(4,070)	(4,070)
Other	3	-	(22)	3	(16)
Net earnings (loss) before taxes	2,361	(2,319)	(2,921)	(726)	(3,605)
Income taxes	(646)	400	380	(131)	3
Net earnings (loss)	\$1,715	\$(1,919)	\$(2,541)	\$(857)	\$(3,602)
Earnings (loss) per share	\$0.13	\$(0.14)	\$(0.19)	\$(0.06)	\$(0.27)

IN THOUSANDS	2014				
	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)
Foreign exchange gain (loss)	(52)	39	(309)	(344)	(666)
Other	-	-	(1)	48	47
Net earnings (loss) before taxes	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

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 \$11.3 million in Q1 and Q4 combined, compared to EBITDA of \$0.1 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 2015

In Q4, revenue of \$22.9 million, increased by \$1.0 million or 4.6% from 2014 and represents Canlan Ice Sports Corp.'s highest quarterly revenue level. Same store revenue of \$22.5 million, increased by \$0.6 million or 2.6% from 2014. The main drivers of the increase are incremental registrations from the ASHL, higher contract revenue, and growth in youth league revenue from the U.S.

Operating cost of \$16.0 million, increased by \$0.4 million or 2.3% from 2014. Same store operating cost of \$15.6 million remained consistent with 2014. During Q4 2015, increases in labour costs and customer service expenses were offset by a decrease in repairs and maintenance cost.

Operating earnings before G&A expenses was \$6.9 million during Q4 compared to \$6.3 million in 2014.

After recording G&A expenses of \$1.0 million, EBITDA was \$5.9 million compared to \$5.0 million in 2014. G&A decreased by \$0.3 million or 22.6% compared to 2014 due to a decrease stock-based compensation expense related to the SARs program and a decrease of wages expense resulting from fewer corporate employees during the quarter compared to same time prior year.

After recording finance costs, depreciation and a loss on foreign exchange, totaling \$2.5 million, and an impairment loss of \$4.1 million, net loss before taxes was \$0.7 million compared to net earnings before taxes of \$2.3 million in the fourth quarter of 2014.

After adjusting for income taxes, net loss was \$0.9 million or \$0.06 loss per share, compared to net income of \$1.7 million or \$0.13 earnings per share in 2014. A summary of Q4 results is as follows:

IN THOUSANDS	2015	2014
Gross revenue	\$22,889	\$21,888
Operating costs	(15,987)	(15,623)
	6,902	6,265
General & administration	(1,018)	(1,315)
EBITDA	5,884	4,950
Depreciation	(1,775)	(1,677)
Finance costs	(701)	(701)
Impairment loss	(4,070)	-
Other	(64)	(296)
Net earnings (loss) before taxes and other	(726)	2,276
Income taxes	(131)	(561)
Net earnings (loss)	\$(857)	\$1,715
Other comprehensive income	106	-
Total comprehensive income (loss)	\$(751)	\$1,715
Earnings (loss) per share	\$(0.06)	\$0.13

REVIEW OF ASSETS

The total book value of the Company's assets as at December 31, 2015 was \$120.6 million compared to \$118.0 million at December 31, 2014.

The table below summarizes the Company's asset base:

IN THOUSANDS	2015	2014
Property, plant, and equipment	\$103,631	\$97,682
Cash	10,065	13,534
Accounts receivable	2,326	2,781
Prepaid expenses and other assets	1,270	1,110
Inventory	1,141	1,037
Investment properties	574	570
Deferred tax assets	1,597	1,308
	\$120,604	\$118,022

Property, plant and equipment makes up 86% of our total asset base and is comprised of land, building and equipment. During the year, the Company completed a \$1.1 million renovation at our Winnipeg facility to improve facility's accessibility and ice condition. A further \$2.1 million of capital expenditures were incurred to renovate amenities and renew equipment in our other facilities.

In addition, on January 30, 2015, the Company completed the purchase of a recreation facility in Lake Barrington, Illinois for \$7.1 million (US\$5.6 million). The purchase was financed with a U.S. dollar denominated term loan of \$2.8 million (US\$2.2 million) and surplus cash.

After accounting for foreign currency translation and an impairment charge as discussed above, the total property plant and equipment balance was \$103.6 million compared to \$97.7 million in 2014.

Investment properties remained consistent with prior year.

The decrease of cash on hand at the end of 2015 compared to 2014 is mainly due to funds used to repay debt and to purchase the new multi-sport facility in Lake Barrington in January 2015.

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	2015	2014
Mortgages payable	\$53,152	\$51,771
Deferred revenue and customer deposits	12,519	11,333
Accounts payable	7,938	7,351
Finance leases	2,610	1,811
Deferred tax liabilities	657	971
	76,876	73,237
Shareholders' equity	43,728	44,785
	\$120,604	\$118,022
Shareholders' equity per common share	\$3.28	\$3.36

Total interest-bearing debt, which includes mortgages payable and finance leases totaled \$55.8 million as at December 31, 2015, compared to \$53.6 million at the end of fiscal 2014, a net increase of \$2.2 million. The increase was due to a combination of new loans for investment in a multi-sport complex property, new finance leases on refrigeration equipment, and repayments of principal on existing debt and finance leases. For financial statement presentation, 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, 2015, debt consists of nine credit facilities maturing from 2018 to 2020, six of which have been drawn. Combined annual debt service is approximately \$6.8 million including a principal portion of \$4.1 million in 2015.

Specific terms of the nine credit facilities are as follows:

Debt on Canadian facilities

- 1) \$30.0 million loan maturing on July 15, 2018, fixed interest at 6.79% per annum payable monthly. At December 31, 2015, the balance outstanding was \$19.5 million;
- 2) \$15.0 million loan maturing on May 31, 2018, interest at Prime rate plus 0.75% per annum payable monthly. At December 31, 2015, the balance outstanding was \$13.3 million;
- 3) \$4.7 million loan maturing on May 31, 2018, interest at the 30-day Canadian Bankers Acceptance rate plus 1.75% per annum, payable monthly. At December 31, 2015, the balance outstanding was \$3.4 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

- 4) \$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, 2015, the balance outstanding was \$6.3 million (US\$4.5 million). This loan is denominated in U.S. currency;
- 5) \$2.8 million (US\$2.2 million) loan maturing on February 1, 2020, interest at LIBOR plus 2.5% per annum payable monthly. At December 31, 2015, the balance outstanding was \$2.9 million (US\$2.1 million). This loan is denominated in U.S. currency. This loan was used to help finance the Lake Barrington purchase in January 2015. See **U.S. Facility Operations** above for further details;
- 6) \$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, 2015, the balance outstanding was \$8.0 million (US\$5.7 million). This loan is denominated in U.S. currency;

Other credit facilities

- 7) \$0.7 million demand revolving operating 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;
- 8) \$4.3 million demand revolving operating loan maturing on November 30, 2016, interest at Prime rate plus 0.75% per annum. Draws from this operating loan will be available from June 1, 2016 and amounts drawn shall be repaid by November 30, 2016. This credit facility provides working capital during the summer season if needed; and
- 9) \$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, 2015 and we expect to continue to be in compliance during the coming fiscal year.

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 \$12.5 million as at December 31, 2015 (2014 - \$11.3 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 2015, we installed new refrigeration equipment and property signage that have lease terms ranging four to five years.

LIQUIDITY AND CAPITAL RESOURCES

Canlan's cash balance as at December 31, 2015 was \$10.1 million compared to \$13.5 million from December 31, 2014. The decrease at year end was principally due to the net use of cash to repay debt and to purchase the Sportsplex facility in Lake Barrington.

During the year, debt was increased by \$2.8 million and \$4.1 million was utilized for scheduled mortgage principal repayments. We also utilized \$0.8 million to reduce the principal on finance leases.

Investment activities in 2015 included \$3.2 million incurred on facility capital projects and \$7.4 million used to purchase the multi-sport facility in Lake Barrington, Illinois. Facility capital expenditures consisted of new refrigeration equipment, rink boards, furniture and fixtures, computer equipment, and a renovation to improve facility accessibility and ice conditions at our Winnipeg facility.

In addition, the Company made four quarterly dividend payments of \$0.02 per share in January, April, July and October 2015 for a total of \$1.1 million. On November 19, 2015, the Company continued its dividend policy and declared a quarterly dividend of \$0.02 per share on a record date on December 30, 2015 which was paid on January 15, 2016.

Summarized Statement of Cash Flows

IN THOUSANDS	2015	2014
Cash inflows and (outflows) by activity		
Operating activities	\$10,324	\$7,187
Financing activities	(3,126)	9,676
Investing activities	(10,667)	(13,409)
	(3,469)	3,454
Cash position, beginning of year	13,534	10,080
Cash position, end of year	\$10,065	\$13,534
Key ratios		
Working capital	\$(11,056)	\$(4,978)
Debt to equity ratio	1.28:1	1.20:1

Our balance sheet at the end of 2015 indicated a working capital deficiency of \$11.1 million. The increase in working capital deficiency was principally due to cash used in the purchase of a new facility, increased lease and mortgage principal payable within a year, and timing differences in trade accounts payable.

The Company's debt to equity ratio of 1:28 at the end of the year increased from prior year resulting from an increase in debt. The ratio is expected to continue meeting the lenders' covenant requirement in 2016.

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. As discussed above, surplus cash reserves have declined during 2015 since the purchase of new facilities. To appropriately manage the seasonality of our business, we have arranged for credit lines to be made available through the summer months by our principal lender to assist with working capital should the need arise.

Cash flow from operating activities increased to \$10.0 million in 2015 compared to \$7.0 million in 2014. After accounting for additional financing, debt repayments, capital expenditures, purchase of a facility and dividends paid, cash decreased by \$3.5 million in 2015.

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

IN THOUSANDS	2015	2014
EBITDA	\$11,376	\$11,084
Changes in working capital items	1,625	(735)
Net finance costs	(2,841)	(2,575)
Income tax expense	(600)	(756)
Foreign exchange	424	56
Other	-	(29)
Cash flow from operations	9,984	7,045
Less		
Mortgage principal reduction	(4,075)	(3,726)
New debt	2,797	15,029
Purchase of ice rink property	(7,360)	(10,190)
Capital expenditures	(3,341)	(3,289)
Equipment lease payments	(781)	(560)
Dividends paid	(1,067)	(1,067)
Net proceeds on sale of assets	34	70
Effects of changes in foreign currency rates	340	142
Change in cash position for the year	\$(3,469)	\$3,454

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	2016	2017	2018	2019	2020	THEREAFTER	TOTAL
Long-term debt							
Mortgage principal and interest	\$6,609	\$6,433	\$32,003	\$11,656	\$1,917	\$ -	\$58,618
Equipment leases, includes interest	988	820	602	398	118	-	2,926
	7,597	7,253	32,605	12,054	2,035	-	61,544
Land and building leases (off balance sheet financing)	1,158	1,168	1,183	1,183	880	8,973	14,545
	\$8,755	\$8,421	\$33,788	\$13,237	\$2,915	\$8,973	\$76,089

SHARE CAPITAL

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

	2015	2014
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 EXERCISABLE AT DECEMBER 31, 2015	EXERCISE PRICE
November 29, 2016	272,936	85,433	\$2.30
April 15, 2017	35,000	11,667	\$2.60
June 15, 2017	58,334	11,667	\$2.51
November 28, 2017	35,000	11,667	\$3.14
March 23, 2018	35,000	-	\$3.30
	436,270	120,434	

TRANSACTIONS WITH RELATED PARTIES

During the year, 213,398 SARs were exercised at a weighted average exercise price of \$2.31.

Subsequent to December 31, 2015, 48,549 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, 2015 the Company recorded a liability in the amount of \$0.2 million. For the year ended December 31, 2015, fair value measurement of the SARs liability resulted in a net compensation expense of \$0.3 million (consistent with prior year) that was recognized in the statement of earnings and comprehensive income.

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 2015 and 2014.

The Company paid \$0.1 million (2014 - \$0.1 million) in directors' fees during 2015.

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, 2015 was \$72,000 (2014 - \$69,000).

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:

- 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 or held for trading financial liabilities at December 31, 2015. The Company had no "other comprehensive income or loss" transactions related to financial instruments during the year ended December 31, 2015 and no opening or closing balances for accumulated other comprehensive income or loss related to financial instruments.

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, 2015.

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, 2015. 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, 2015.

There were no changes in our ICFR during the year ended December 31, 2015 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 sports leagues to play at the facilities it owns and operates. Due to the nature of the sport, incidents 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. Should the financial results of the Company's U.S. subsidiaries significantly fall short of targets, the Company could be 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. However, management currently expects that earnings from U.S. business activities are adequate to service operating costs, debt payments, and other cash needs of U.S. operations.

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 U.S. 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 results 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.
- Seasonal credit line has been made available by the Company's lender.

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 four of its facilities. The presence of a unionized work force increases the possibility that a labour dispute will effect operations at a facility. The four union agreements will expire on March 2017, October 2017, February 2018, and October 2018. 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

Electricity, natural gas and water are significant components of operating costs of our facilities and the Company is susceptible to fluctuations in the market price of energy and related regulatory charges. In addition, the Company may experience power fluctuations or outages or cannot maintain adequate sources of natural gas and water. These factors 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.
- The Company carefully manages utility consumption through standard operating procedures and capital asset program.
- The Company has implemented an equipment replacement program, which utilizes newer technology for lights and refrigeration equipment.
- The Company has engaged third party consultants to review energy usage.

Interest Rate Risk

Mortgage debt of \$25.9 million, is subject to variable interest rates. For every 1% change in base market rates, interest expense will change by \$259,000 per annum.

Mitigating factors and strategies

- The Company has fixed the interest rate on 52% of its loans, which totals \$27.5 million.

Control by Principal Shareholder and Liquidity of Common Shares

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. In addition, at the date of this MD&A, a Trust in the U.S. holds 2,073,400 Common shares, which represents 15.5% of total outstanding Common Shares. 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 sport surface rental contracts, programs and leagues is recognized as games and lessons are played and collection is reasonably assured. Deferred revenue relates to amounts received in advance for the Company's adult recreational leagues. 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 86% 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 & Consolidated Financial Statements





KPMG LLP
Chartered Professional Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone (604) 691-3000
Fax (604) 691-3031
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Canlan Ice Sports Corp.

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, 2015 and 2014, 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, 2015 and 2014, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Chartered Professional Accountants

March 28, 2016
Vancouver, Canada

	2015	2014
ASSETS		
Current assets		
Cash and cash equivalents	\$10,065	\$13,534
Accounts receivable	2,326	2,781
Inventory (note 5)	1,141	1,037
Prepaid expenses & deposits	891	732
	14,423	18,084
Non-current assets		
Property, plant and equipment - facilities (note 6)	103,631	97,682
Investment properties (note 7)	574	570
Deferred tax assets (note 15b)	1,597	1,308
Other assets	379	378
	106,181	99,938
	\$120,604	\$118,022
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	\$7,938	\$7,351
Deferred revenue and customer deposits	12,519	11,333
Current portion of		
Obligations under finance leases (note 9)	879	572
Debt (note 10)	4,143	3,806
	25,479	23,062
Non-current liabilities		
Obligations under finance leases (note 9)	1,731	1,239
Debt (note 10)	49,009	47,965
Deferred tax liabilities (note 15b)	657	971
	51,397	50,175
Total liabilities	76,876	73,237
Shareholders' equity		
Share capital (note 11)	63,109	63,109
Contributed surplus	543	543
Foreign currency translation reserve	3,612	-
Deficit	(23,536)	(18,867)
	43,728	44,785
	\$120,604	\$118,022

Nature of operations (note 2)
Commitments and contingencies (note 14)
Subsequent events (note 12)

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

Approved on behalf of the Board:


W. GRANT BALLANTYNE


JOEY ST-AUBIN

Consolidated Statements of Earnings and Comprehensive Income
(Expressed in thousands of dollars, except for share and per share amounts)
Years ended December 31, 2015 and 2014

	2015	2014
Revenue		
Ice rink and recreational facilities (note 19)	\$79,449	\$75,732
Expenses (note 21)		
Ice rinks and recreational facilities		
Salaries, wages and benefits	30,451	28,870
Selling and customer service	11,641	10,514
Utilities	7,756	6,811
Cost of goods sold	5,640	5,575
Repairs and maintenance	4,135	4,128
Property tax	2,987	2,597
Facility lease	1,159	1,594
	63,769	60,089
Earnings from ice rink and recreational facilities before the undernoted	15,680	15,643
General and administration expenses (notes 13 and 21)	4,304	4,559
Earnings before the undernoted	11,376	11,084
Other expenses (income) (note 21)		
Depreciation	6,954	6,132
Loss (gain) on sale of assets	16	(47)
Impairment loss (note 6)	4,070	-
Foreign exchange loss	1,053	666
	12,093	6,751
Finance income (costs)		
Finance income	62	111
Finance costs	(2,950)	(2,643)
	(2,888)	(2,532)
Earnings (loss) before income taxes	(3,605)	1,801
Income tax expense (recovery) (note 15)		
Current	600	785
Deferred	(603)	120
	(3)	905
Net earnings (loss)	\$(3,602)	\$896
Other comprehensive income		
Items that may be reclassified subsequently to net earnings		
Foreign currency translation differences	\$3,612	\$ -
Total comprehensive income	10	896
Basic and fully diluted earnings (loss) per share	\$(0.27)	\$0.07
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.

Consolidated Statements of Changes in Equity
(Expressed in thousands of dollars)
Years ended December 31, 2015 and 2014

	SHARE CAPITAL	CONTRIBUTED SURPLUS	FOREIGN CURRENCY TRANSLATION RESERVE	DEFICIT	TOTAL
Balance at December 31, 2013	\$63,109	\$543	\$ -	\$(18,696)	\$44,956
Net earnings (loss)	-	-	-	896	896
Dividends to common shareholders	-	-	-	(1,067)	(1,067)
Balance at December 31, 2014	63,109	543	-	(18,867)	44,785
Net earnings (loss)	-	-	-	(3,602)	(3,602)
Other comprehensive income	-	-	3,612	-	3,612
Dividends to common shareholders	-	-	-	(1,067)	(1,067)
Balance at December 31, 2015	\$63,109	\$543	\$3,612	\$(23,536)	\$43,728

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

Consolidated Statements of Cash Flows
(Expressed in thousands of dollars)
Years ended December 31, 2015 and 2014

	2015	2014
Cash provided by (used in)		
Operating		
Net earnings (loss)	\$(3,602)	\$896
Adjustments for		
Depreciation	6,954	6,132
Loss (gain) on sale of assets	16	(47)
Impairment loss	4,070	-
Net finance costs	2,888	2,532
Deferred income taxes	(603)	120
Foreign exchange loss	1,477	722
Net change in non-cash working capital (note 20)	1,625	(735)
Interest paid	(2,903)	(2,667)
Interest received	62	92
	9,984	7,045
Financing		
Principal repayments of debt	(4,075)	(3,726)
Increase in principal of debt	2,797	15,029
Principal repayments on obligations under finance lease	(781)	(560)
Payment of dividends on common shares	(1,067)	(1,067)
	(3,126)	9,676
Investments		
Net proceeds on sale of assets	34	70
Purchase of recreation property	(7,360)	(10,190)
Expenditures on ice rink and recreational facilities	(3,182)	(3,173)
Expenditures on other assets	(159)	(116)
	(10,667)	(13,409)
Effect of changes in foreign currency rates on cash and cash equivalents	340	142
Increase (decrease) in cash and cash equivalents	(3,469)	3,454
Cash and cash equivalents, beginning of year	13,534	10,080
Cash and cash equivalents, end of year	\$10,065	\$13,534

Supplemental cash flow information (note 20)

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

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 a working capital deficiency of approximately \$11,056,000 as the Company finances a portion of its assets through customer deposits. The Company has long-term debt with principal payments coinciding with the Company's seasonal business. The Company's long-term debt agreements have maturity dates in 2018 to 2020 to provide the Company with liquidity over a reasonable period of time. During the off-peak season, the Company has an available bank line of credit to provide working capital, if necessary (note 10).

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, 2016.

(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 Company's functional and presentation currency is the Canadian dollar. The functional currency of the Company's United States (U.S.) subsidiaries is the U.S. dollar. Accordingly, the financial statements of the Company's U.S. subsidiaries have been translated into Canadian dollars as follows:

- (i) Asset and liability amounts are translated at the exchange rate at the end of each reporting period;
- (ii) Amounts included in the determination of earnings are translated at the respective monthly average exchange rates; and
- (iii) Any gains or losses from the translation of amounts determined in (i) and (ii) above are recognized in other comprehensive income and accumulated in the foreign currency translation reserve, which is a separate component of shareholders' equity.

Prior to January 1, 2015, the functional currency of the Company's U.S. subsidiaries was determined to be the Canadian dollar but should have been the U.S. dollar. The impact of this difference on prior years was not material and accordingly the Company corrected the difference in the consolidated financial statements for the year ended December 31, 2015. This resulted in an increase to assets of \$1,080,000 as at January 1, 2015, a decrease to foreign exchange loss of \$144,000 for the year ended December 31, 2015, and an increase to other comprehensive income of \$936,000 for the year ended December 31, 2015.

Transactions in currencies other than the Company's functional currency, and not related to the Company's U.S. subsidiaries, are translated at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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 the retranslation are recognized in net earnings.

(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 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.

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 86% 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.

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.

(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 or loss 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.

(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 equipments	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.

(e) Other assets

Included in other assets are fixed assets located in the Company's corporate offices.

(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.

(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) 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.

(j) 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 is comprised of cash and cash equivalents and accounts receivable.

Cash and cash equivalents is comprised of 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. The Company does not have any derivative instruments outstanding as of December 31, 2015 (2014-nil).

(k) 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.

(l) 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 \$357,000 (2014 - \$333,000) 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.

(m) 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.

(n) 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.

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.

(o) 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.

(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.

(p) 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.

(q) New standards and interpretations not yet adopted

- (i) On May 28, 2014 the IASB issued IFRS 15 - *Revenue from Contracts with Customers*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard is effective for annual periods beginning

on or after January 1, 2018, with early adoption permitted. The Company is currently assessing the potential impact, if any, on its consolidated financial statements resulting from the application of IFRS 15.

- (ii) IFRS 9-*Financial Instruments*, issued in 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 IFRS 9 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.

- (iii) IFRS 16-*Leases* was issued in January 2016 and sets out a new model for lease accounting, replacing IAS 17-*Leases*. IFRS 16 will be effective for accounting periods beginning on or after January 1, 2019. The Company is currently assessing the potential impact, if any, on its consolidated financial statements resulting from the application of IFRS 16.

5. Inventory

	2015	2014
Sports Store	\$735	\$608
Food & Beverage	406	429
	\$1,141	\$1,037

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

6. Property, plant and equipment - facilities:

	LAND	BUILDINGS & BUILDING IMPROVEMENTS	LEASEHOLD IMPROVEMENTS	RINK BOARD SYSTEMS	REFRIGERATION EQUIPMENT	MACHINERY & EQUIPMENT	COMPUTERS, FURNITURE & FIXTURES	ICE RESURFACING EQUIPMENT	WORK IN PROCESS	TOTAL
Cost										
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
Reclassifications	-	-	-	-	29	-	-	-	(29)	-
Additions	635	7,473	81	276	2,407	628	468	8	163	12,139
Disposals	-	-	-	(141)	(50)	(35)	(6)	(270)	-	(502)
Effect of movements in exchange rates	765	3,329	-	154	591	354	330	100	1	5,624
Balance at December 31, 2015	\$16,974	\$116,461	\$1,977	\$5,167	\$14,417	\$13,014	\$9,838	\$4,774	\$341	\$182,963
Accumulated depreciation and impairment losses										
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)	-	(68,020)
Depreciation for the year	-	(3,828)	(207)	(205)	(646)	(934)	(682)	(295)	-	(6,797)
Impairments	-	(3,644)	-	-	-	(426)	-	-	-	(4,070)
Disposals	-	-	-	124	23	34	-	255	-	436
Effect of movements in exchange rates	-	(429)	-	(14)	(46)	(89)	(254)	(49)	-	(881)
Balance at December 31, 2015	\$ -	\$(48,173)	\$(631)	\$(2,186)	\$(7,215)	\$(8,553)	\$(8,554)	\$(4,020)	\$ -	\$(79,332)
Carrying amounts										
Balance at December 31, 2014	\$15,574	\$65,387	\$1,472	\$2,787	\$4,894	\$4,929	\$1,428	\$1,005	\$206	\$97,682
Balance at December 31, 2015	16,974	68,288	1,346	2,981	7,202	4,461	1,284	754	341	103,631

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 U.S. dollar denominated term loan of \$2,797,000 (US\$2,200,000) (see note 10) and surplus cash.

Included in property, plant, and equipment - facilities are assets under finance leases with a cost of \$4,202,000 (2014 - \$2,882,000) and accumulated depreciation of \$929,000 (2014 - \$854,000).

During the year ended December 31, 2015, the Company recognized an impairment loss of \$4,070,000 (US\$3,183,000) relating to an ice facility in the U.S. The ice facility is considered a cash-generating unit ("CGU") for impairment purposes. In 2015, the actual cash flows from operating the ice facility did not meet management's projections, and accordingly management estimated the recoverable amount of the CGU, which was based on its value in use, utilizing a discounted cash flow model. The estimate of value in use was determined using a pre-tax discount rate of 11% and a terminal growth rate of 2%. Cash flows used in the value in use calculation were based on management's one-year budgeted projections for 2016, and incorporated a 20% annual growth rate for the following four years, and a stabilized growth rate thereafter.

For the year ended December 31, 2014, no impairment losses were recognized.

7. Investment properties

	COST	ACCUMULATED AMORTIZATION	CARRYING AMOUNT
December 31, 2014	\$570	\$ -	\$570
Effect of movements in exchange rate	4	-	4
December 31, 2015	\$574	\$ -	\$574

The fair value of the Company's investment properties at December 31, 2015 was \$1,562,000 (2014 - \$1,575,000). 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, 2015 and 2014, no impairment losses were recognized.

In 2015, income earned on investment properties was \$93,000 (2014 - \$90,000) with no direct expenses in 2015 (2014 - nil).

8. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	2015	2014
Wages payable	\$2,355	\$2,403
Trade payables	2,342	2,217
Other accrued liabilities	2,492	1,871
Indirect tax payables	491	507
Income tax payable	56	189
Stock appreciation rights	202	164
	\$7,938	\$7,351

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:

	2015	2014
Not later than one year	\$988	\$657
Later than one year and not later than five years	1,939	1,405
Later than five years	-	21
	2,927	2,083
Interest (rates vary from 3% to 7%)	317	272
Present value of minimum finance lease payments	2,610	1,811
Current portion	879	572
Long-term portion	\$1,731	\$1,239

Lease obligations are secured directly by the leased assets.

Interest of \$109,000 (2014 - \$92,000) relating to finance lease obligations has been included in finance costs.

10. Debt

	MATURITY DATES	INTEREST RATES	2015	2014
Fixed rate	2018	6.79%	\$19,500	\$21,000
	2019	5.97%	7,957	6,882
Variable rate	2018	Prime + 0.75%	13,331	14,324
	2018	BA + 1.75%	3,410	4,154
	2019	LIBOR + 2.50%	6,272	5,635
	2020	LIBOR + 2.50%	2,877	-
			53,347	51,995
Deferred financing costs			(195)	(224)
			53,152	51,771
Current portion			4,143	3,806
Non-current portion			\$49,009	\$47,965

As at December 31, 2015, debt consists of nine credit facilities, six 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, 2015, the balance outstanding was \$19,500,000;
- \$15,000,000 loan maturing on May 31, 2018, interest at Prime rate plus 0.75% per annum payable monthly. At December 31, 2015, the balance outstanding was \$13,331,000;
- \$4,712,000 loan maturing on May 31, 2018, interest at the 30-day Canadian Bankers Acceptance rate plus 1.75% per annum payable monthly. At December 31, 2015, the balance outstanding was \$3,410,000;
- \$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, 2015, the balance outstanding was \$6,272,000 (US\$4,529,000). This loan is denominated in U.S. currency;
- \$2,797,000 (US\$2,200,000) loan maturing on February 1, 2020, interest at LIBOR plus 2.5% per annum payable monthly. At December 31, 2015, the balance outstanding was \$2,877,000 (US\$2,078,000). This loan is denominated in U.S. currency. The credit facility was used to finance the purchase of a facility in Lake Barrington, Illinois in 2015;
- \$745,000 demand revolving operating 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;
- \$4,255,000 demand revolving operating loan maturing on November 30, 2016, interest at Prime rate plus 0.75% per annum. Draws from this operating loan will be available from June 1, 2016 and amounts drawn shall be repaid by November 30, 2016; 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.

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 \$74,000 (2014 - \$100,000) was recorded in finance costs.

(b) Vendor-take-back mortgage

\$6,556,000 (US\$6,000,000) vendor-take-back mortgage maturing on September 1, 2019, fixed interest rate at 5.97% per annum payable monthly. At December 31, 2015, the balance outstanding was \$7,957,000 (US\$5,747,000). This loan is denominated in U.S. currency.

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, 2015 and 2014	13,337,448	\$63,109

On November 19, 2015, the Company declared a quarterly dividend of \$0.02 per share which was paid on January 15, 2016. In addition, the Company paid quarterly dividends of \$0.02 per share on each of April 17, July 15 and October 15, 2015, respectively.

For the year ended December 31, 2015, the Company declared and paid dividends in the amount of \$1,067,000 (2014 - \$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.

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

	NUMBER OF SARs	WEIGHTED AVERAGE EXERCISE PRICE
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
Number of SARs outstanding, December 31, 2014	649,835	2.38
Granted	35,000	3.30
Exercised	(213,398)	2.31
Forfeited	(35,167)	2.30
Balance, December 31, 2015	436,270	\$2.50
Exercisable, December 31, 2014	99,665	\$2.30
Exercisable, December 31, 2015	120,434	\$2.43

The following table summarizes information about the stock appreciation rights outstanding at December 31, 2015:

			RIGHTS OUTSTANDING		RIGHTS EXERCISABLE	
EXERCISE PRICE	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE	
\$2.30	272,936	11 months	\$2.30	85,434	\$2.30	
2.60	35,000	16 months	2.60	11,667	2.60	
2.51	58,334	18 months	2.51	11,667	2.51	
3.14	35,000	23 months	3.14	11,667	3.14	
3.30	35,000	27 months	3.30	–	3.30	

During the year ended December 31, 2015, the Company recognized compensation expense of \$265,000 (2014 \$315,000) in respect of the SARs Plan. This amount was calculated in accordance with the fair value method of accounting. At December 31, 2015, the SARs liability included within accounts

payable and accrued liabilities was \$202,000 (2014 - \$164,000). Subsequent to December 31, 2015, 48,549 SARs were exercised.

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

	2015	2014
Risk free interest rate	0.63%	1.21%
Expected dividend yield	2.48%	2.57%
Expected lives of rights	11 to 27 months	23 to 35 months
Expected volatility	14% - 20%	25% - 27%

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 is based on historical experience of rights being exercised. Expected volatility is based on the historical share price volatility over the past 11 month to 27 months.

13. General and Administration Expenses

General and administration expenses consist of the following:

	2015	2014
Salaries, wages and benefits	\$3,069	\$3,339
Professional and regulatory fees	345	324
Office	310	286
Stock appreciation rights	265	315
Travel	229	167
Other	86	128
	\$4,304	\$4,559

14. Commitments and Contingencies

- (a) At December 31, 2015, 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 does not assume substantially all the risks and rewards 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	\$1,158
Later than one year and not later than five years	4,414
Later than five years	8,973

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 rink facility in British Columbia with a lease term that ends on December 31, 2024.
- (ii) A two-pad rink 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 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 Ontario 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, 2015, the Company has letters of guarantee outstanding with various vendors in the amount of \$1,005,000 (2014 - \$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 2015 (2014 - 32%) were as follows:

	2015	2014
Statutory rate applied to earnings before income taxes	\$(1,169)	\$575
Changes in deferred tax assets not recognized	1,732	377
Foreign currency translation differences	(801)	-
Substantively enacted tax rate change	(106)	(157)
Permanent differences and other	341	110
Income tax expense	\$(3)	\$905

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

	2015	2014
Deferred income tax assets		
Unused tax losses	\$78	\$35
Deferred revenue	127	140
Properties	1,117	983
Other	275	150
	1,597	1,308
Deferred income tax liability		
Properties	(629)	(939)
Financing fees	(18)	(25)
Other	(10)	(7)
	(657)	(971)
Net deferred income tax assets	\$940	\$337

The following deferred tax assets have not been recognized as at December 31, 2015 and December 31, 2014:

	2015	2014
U.S. tax losses set to expire between 2018 and 2035	\$4,910	\$3,157
Tax losses that do not expire	15	36
Deductible temporary differences	61	61
	\$4,986	\$3,254

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.

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

	2015		2014	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Debt	\$53,152	\$53,732	\$51,771	\$52,697

(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, 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 \$259,000 (2014 - \$241,000) 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, 2015 consists of customer deposits received in advance of the services being provided.

The following table presents the aggregate amount of future cash outflows for contractual obligations in each of the next five years and thereafter.

IN THOUSANDS	2016	2017	2018	2019	2020	THEREAFTER	TOTAL
Accounts payable and accrued liabilities	\$7,938	\$ -	\$ -	\$ -	\$ -	\$ -	\$7,938
Long-term debt							
Mortgage principal and interest	6,609	6,433	32,003	11,656	1,917	-	58,618
Equipment leases, including interest	988	820	602	398	118	-	2,926
	7,597	7,253	32,605	12,054	2,035	-	61,544
Land and building operating leases	1,158	1,168	1,183	1,183	880	8,973	14,545
	\$16,693	\$8,421	\$33,788	\$13,237	\$2,915	\$8,973	\$84,027

(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 is the U.S. dollar. At December 31, 2015, the Company has US\$12,354,000 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, 2015, 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, as reported in Canadian currency, could have decreased or increased by approximately \$855,000 (2014 - \$626,000), 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.

The Company executes a planning and budgeting process to determine the funds required to ensure the Company has appropriate liquidity to meet 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, 2015 and 2014, 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, 2015 and 2014.

18. Related Party Transactions

- (a) During the year, the Company expensed \$140,000 (2014 - \$149,000) in directors' fees.
- (b) Two Directors of the Company's Board are also 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, 2015 was \$72,000 (2014 - \$69,000).
- (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, 2015 and 2014, there were no related party transactions between the Company and Bartrac.
- (d) The Company's key management personnel include the Directors of the Company and executive officers. Key management personnel compensation comprised the following:

	2015	2014
Short-term employee benefits	\$1,695	\$1,652
Stock appreciation rights	265	315
Post employment benefits	72	85
	\$2,032	\$2,052

- (e) Directors and executive officers participate in the Company's stock appreciation rights program (note 12). During the year ended December 31, 2015, the Company paid \$227,000 (2014 - \$206,000) related to stock appreciation rights exercised.

19. Segmented Information

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

(a) Ice rink and recreational facilities revenue

	2015	2014
Ice and field sales	\$60,007	\$56,689
Food and beverage	11,684	11,616
Sports store	2,012	2,179
Tournament operations	2,452	2,279
Sponsorship	1,243	1,276
Space rental	1,007	767
Management and consulting fees	402	201
Other	642	725
	\$79,449	\$75,732

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

(b) Geographic

	2015			2014		
	CANADA	USA	TOTAL	CANADA	USA	TOTAL
Revenue	\$70,921	\$8,528	\$79,449	\$70,150	\$5,582	\$75,732
Non-current assets	84,537	21,644	106,181	85,270	14,668	99,938
Total assets	96,312	24,292	120,604	101,297	16,725	118,022

20. Supplemental Cash Flow Information

	2015	2014
(a) Net changes in non-cash working capital		
Accounts receivable	\$455	\$(448)
Inventory	(104)	58
Prepaid expenses	(159)	(311)
Accounts payable and accrued liabilities	587	(9)
Deferred revenue and customer deposits	1,186	117
Effect of change in foreign currency	(340)	(142)
	\$1,625	\$(735)
(b) Non-cash transactions		
Finance lease obligations	\$1,597	\$949

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:

	2015	2014
Ice rink and recreational facilities expense	\$74,636	\$66,049
General and administrative expenses	\$4,461	\$4,731
Other expenses	\$1,069	\$619

The changes in the above table, as compared to the consolidated statement of earnings and comprehensive income, relate to depreciation of \$6,954,000 (2014 - \$6,132,000) being allocated from other expenses to ice rink and recreational facilities in the amount of \$6,797,000 (2014 - \$5,960,000), and to general and administrative expenses in the amount of \$157,000 (2014 - \$172,000), and an impairment loss of \$4,070,000 (2014 - nil) being allocated from other expenses to ice rink and recreational facilities.

FIVE YEAR REVIEW

Statements of Financial Position

IN THOUSANDS, EXCEPT STATISTICS	2015	2014	2013	2012	2011
Assets:					
Property, plant and equipment facilities	\$103,631	\$97,682	\$89,401	\$84,384	\$84,303
Other	15,376	19,032	14,926	17,358	18,412
Deferred tax assets	1,597	1,308	1,234	1,082	2,025
	\$120,604	\$118,022	\$105,561	\$102,824	\$104,740
Liabilities:					
Debt	\$53,152	\$51,771	\$39,774	\$37,832	\$40,899
Other	23,067	20,495	20,054	19,486	18,666
Deferred tax liabilities	657	971	777	579	543
	\$76,876	\$73,237	\$60,605	\$57,897	\$60,108
Shareholders' equity:					
Share capital	\$63,109	\$63,109	\$63,109	\$63,109	\$63,109
Contributed surplus	543	543	543	543	543
Foreign currency translation reserve	3,612	-	-	-	-
Deficit	(23,536)	(18,867)	(18,696)	(18,725)	(19,020)
	\$43,728	\$44,785	\$44,956	\$44,927	\$44,632
Statistics:					
Debt to equity ratio	1.28:1	1.20:1	0.92:1	0.87:1	0.94:1
Share price range	\$3.06-3.75	\$2.30-3.34	\$2.08-3.19	\$1.70-3.46	\$1.60-2.23

Statements of Earnings and Comprehensive Income

IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS	2015	2014	2013	2012	2011
Facility revenue	\$79,449	\$75,732	\$72,791	\$72,823	\$71,966
Facility operating expenses	63,769	60,089	58,769	57,912	57,847
General and administrative	4,304	4,559	4,234	5,154	4,271
	68,073	64,648	63,003	63,066	62,118
Earnings before interest, taxes, depreciation and amortization	11,376	11,084	9,788	9,757	9,848
Other expenses (gains):					
Depreciation	6,954	6,132	5,633	5,112	5,150
Net finance cost	2,888	2,532	2,371	2,381	2,867
Impairment loss	4,070	-	-	-	-
Other	1,069	619	95	(23)	(2,282)
Income tax expense (recovery)	(3)	905	593	992	1,269
	14,978	10,188	8,692	8,462	7,004
Net earnings (loss):	\$(3,602)	\$896	\$1,096	\$1,295	\$2,844
Other comprehensive income related to foreign currency translation differences	3,612	-	-	-	-
Total comprehensive income	\$10	\$896	\$1,096	\$1,295	\$2,844
Earnings (loss) per common share	\$(0.27)	\$0.07	\$0.08	\$0.10	\$0.21
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.
Oakville, ON

Frank D. Barker

Partner, Kinetic Capital Partners
Vancouver, BC

Geoffrey J. Barker

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

Charles Allen

Chairman, TeraGo Inc.
Oshawa, ON

William G. Bullis

Retired
Surrey, BC

Victor D'Souza

Managing Director,
Reignite Capital
Toronto, ON

Doug Brownridge

Director
Coast Capital Savings Credit Union
West Vancouver, BC

Joey St-Aubin

President & CEO
Canlan Ice Sports Corp.
Courtice, ON

Solicitors & Registered Office

Edwards, Kenny & Bray LLP
19th 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

Greg Porcellato

Vice-President
Western Operations

Mark E. Reynolds

Vice-President
Human Resources & Chief Privacy Officer

Ivan C. Wu

Vice-President
Finance

Corporate Offices

Vancouver

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

Toronto

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

CORPORATE OFFICES

VANCOUVER

6501 Sprott Street
Burnaby, British Columbia
V5B 3B8

TORONTO

989 Murray Ross Parkway
North York, Ontario
M3J 3M4

