



Northeast Avalon Arena Regional Board Inc. – The Jack Byrne Regional Sport and Entertainment Centre

Business Plan



Tim Fahey, CPA, CA
Partner

December 20, 2018

Kerri Riddle, CPA, CA
Senior Manager

Important notice and disclaimer

Verification of information

The information contained in this Business Plan has been provided by the management of the Jack Byrne Sport and Entertainment Centre ("the Arena") and has not been verified by Grant Thornton. Neither Grant Thornton nor any partner, employee, or agent of Grant Thornton has any authority to make or give any representations or warranty whatsoever, and no responsibility or liability is accepted by any of them, in relation to the net assets, business or prospects of the Arena, or with respect to the adequacy, accuracy, completeness or reasonableness of the facts, opinions, estimates, forecasts or other information set out in this Business Plan or any further information, written, oral or other, supplied in connection with it.

Nothing contained within this Business Plan is or should be relied upon as a promise or representation as to the future. The pro-forma and estimated financial information contained in this Business Plan was prepared expressly for use in this Business Plan and is based on certain assumptions and management's analysis of information available at the time this Business Plan was prepared. There is no representation, warranty, or other assurance that any of the forecasts, or any outcome result, will be realized.

The information contained in this Business Plan and any further information relating to the Arena supplied by Grant Thornton or the Arena is, and will be, supplied on the condition that the Arena (or any partner, employee or agent of the Arena) or Grant Thornton or any partner, employee or agent of Grant Thornton accepts no responsibility and/or liability for any loss or damage of whatsoever nature that may result or occur by reliance on such information and howsoever arising.

Distribution

Grant Thornton is acting exclusively for the Arena and no one else in connection with the Business Plan and will not be responsible to anyone other than the Arena for providing the protections afforded to clients of Grant Thornton nor for providing advice in relation to the Business Plan or any other matter referred to in this document.

Forward-looking statement disclaimer

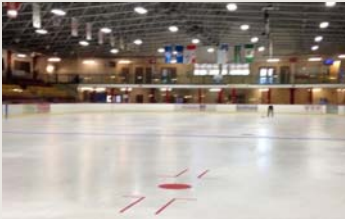
This Business Plan contains certain "forward-looking financial information". This information relate to future events or future performance and reflect management's expectations regarding the Arena's growth, results of operations, performance, business prospects and opportunities and industry performance and trends. They reflect management's current internal forecasts, expectations, or beliefs and are based on information currently available to management. Forward-looking financial information" is usually identified by words such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue" or the negative of these terms or other comparable terminology. A number of factors could cause actual events or results to differ materially from the results discussed in the forward-looking financial information.

In evaluating this information, the reader should specifically consider various factors affecting the relevant industry. Actual results may differ materially from any forward-looking financial information. Although management believes that the forward-looking financial information contained in this Business Plan are based upon reasonable assumptions, the reader cannot be assured that actual results will be consistent with this forward-looking financial information. This forward-looking financial information is made as of December 20, 2018 and the Arena and Grant Thornton assume no obligation to update or revise them to reflect new events or circumstances.

Introduction

Contents

Executive summary	4
Organizational Overview	7
Market and Competition	14
Opportunity and Expansion	16
Financial Summary	27
Appendices	36



The Jack Byrne Regional Sport & Entertainment Centre (the "Arena") is a community facility focused on serving a region that is active, healthy, diverse and inclusive. The Arena brought together four towns and built a community of pride.

The Arena is owned and operated by four surrounding communities, including Torbay, Logy Bay-Middle Cove-Outer Cove, Flatrock and Pouch Cove. The Board of Directors would like to expand the potential of this Arena to achieve the goal of serving a much higher percentage of the population base. The current Arena building is approximately 51,420 square feet and includes one ice surface.

This Business Plan details the Arena's plan to expand its existing building to house a second ice surface, new parking area and relocated entrance. The Business Plan also outlines the financial projections of the Arena, including the planned expansion, for the years ending December 31, 2018 to December 31, 2022.

We thank you for the opportunity to provide our services and will be pleased to discuss the forgoing with you at your convenience.

Sincerely,

Grant Thornton LLP

Tim Fahey, CPA, CA
Partner
Grant Thornton LLP

Kerri Riddle, CPA, CA
Senior Manager
Grant Thornton LLP



Executive summary

Business overview



The Northeast Avalon Arena Regional Board Inc. was incorporated on April 24th, 2008 and opened its first-class regional facility on October 24th, 2008. Serving its four communities, the Arena is also home to The North East Minor Eagles, The North East Senior Eagles, North East Junior Eagles and host to Prince of Wales Skating Club, as well as hundreds of others who take part in general skating, adult skating, Parent and Tot skating, and in the summer months, Roller Skating.

The facility is comprised of a 200' by 85' NHL size ice surface; seating capacity for 1,000 spectators; indoor heated walking track; six dressing rooms; parking lot for 430 vehicles; community room for special events, birthday parties or any other function; full canteen and bar; and floor capacity for 2,000 people. The Arena is also used to host trade shows and other large events.

Opportunity

Management and the Board of Directors see an opportunity to expand the Arena's operations and provide additional services to an already engaged and growing community.

Highlights related to the Expansion:

- Under the original plan, the size of the Arena would increase by 43,960 square feet and have a cost of approximately \$14 million;
- Management and the Board of Directors are currently re-evaluating the expansion plan and expect to adjust the overall cost of the expansion to approximately \$9 million, which is what has been reflected in the financial forecast.
- The expansion will add a new external parking area;
- There will be a second ice surface added;
- Additional space for meetings, conferences and trade shows;
- There will be more programs and services;
- There will be more opportunities for community engagement;
- The financial forecast is under the assumption that the expansion will occur in 2019. The forecasted annual assumptions will be shifted into the future and updated dependent on when the expansion actually occurs;
- While profit on the expansion is forecasted to trend downwards in the first couple of years, as outlined below, that is based on assumed expected increases to certain expenses (i.e. utilities and repairs and maintenance). Management expects future annual profit to stay fairly consistent with the annual profit noted in 2022 below.

Expansion	2020	2021	2022
Revenues	439,500	447,200	452,900
Expenses	369,000	391,500	413,200
Profit	70,500	55,700	39,700

Expansion	NBV 2020	NBV 2021	NBV 2022
Existing assets	8,172,690	7,866,970	7,565,251
Expansion assets	8,939,278	8,647,672	8,371,888
Total assets	17,111,968	16,514,642	15,937,139



Organizational Overview

History

From very humble beginnings, the Arena is dedicated to the late Jack Byrne who was the former mayor of Logy Bay-Middle Cove-Outer Cove from 1986 to 1993.

Background

Mr. Byrne was first elected to the House of Assembly in the 1993 provincial election representing the district of St. John's East Extern. He moved to the redistricted riding of Cape St. Francis in the 1996 election, and represented that district until his death.

Mr. Byrne also served as Minister of Municipal Affairs for 2003 to 2007 and from 2007 until his death he served as Deputy Speaker of the Newfoundland and Labrador House of Assembly.

Former Premier Danny Williams has said, "The Arena is a fitting tribute to a man who spent his life contributing to the development and sustainability of the Northeast Avalon region and the dedication of this arena in his memory is a celebration of his life."

History

The Arena has utilized project funding successfully in the past to enhance its operations and service delivery to the communities to which it serves.

The following are some examples of past and current projects undertaken by the Arena:

Amount (\$)	Date	Details
347,991	2012	Funded by ACOA, IBRD & JBRSEC The purpose of the funding was to purchase an ice deck, table and chairs, staging, pipe and drape, and a digital road sign, which would enhance the Arena's capability to host concerts and tradeshow.
180,000	2015	Funded by ACOA, BTCRD and JBRSEC The purpose of the funding was to purchase kitchen equipment and acoustic panels, which would further enhance the Arena's capability to host concerts and tradeshow.
225,000	2017	Funded by ACOA and JBRSEC The purpose of the funding was to complete concept design for the building expansion and associated business plan

Building – current



The Facility

The Arena opened their facility in Torbay on October 24, 2008.

The total cost of this state of the art facility was \$13.1 million and it was a cost shared project. The Government of Newfoundland and Labrador and the Federal Government contributed \$10.1 million and the remaining amount was funded from the four surrounding communities, Torbay, Logy Bay-Middle Cove-Outer Cove, Flatrock and Pouch Cove.

Products & Services

The Arena offers a variety of rental options and programs to appeal to a wide array of individuals and groups throughout the communities to which it serves.



Rentals

- The Arena hosts the Northeast Senior Eagles, the Northeast Minor Hockey Association, and the Prince of Wales Skating Club;
- There are private ice rentals available;
- The Arena offers a Community Room, which is 1500 square feet and includes WIFI, projector, wireless microphone, flipchart, and catering options;

Programs

- There is a walking track available for use weekly;
- General skate sessions are available seasonally one day per week;
- Adult skating is available weekly;
- Parent and Tot skating is available weekly;
- Adult roller skating is available seasonally;

Trade shows and events

- The Arena is available to rent as a whole, for special events, trade shows, and concerts;

Other

- Advertising is available in a variety of areas, including the ice surface, on the sides of the ice surface, on dasher boards located inside the perimeter of the ice surface, on billboards located on the end of the ice surface, on railings located on the walking track, and outdoor digital add placement on Torbay Road;
- There is a full service canteen and bar located on the upper level;
- Skate sharpening services are available.

Board of Directors

The Arena's board is composed of ten members. The members consist of a citizen and council representatives from Logy Bay-Middle Cove-Outer Cove, Pouch Cove and Flat Rock. The remaining four members are two citizen and two council representatives from Torbay.

Board Member	Position	Town	Representative
Paul Ryan	Director	LMO	Council Representative
Patricia Rose	Director	LMO	Citizen Representative
Joedy Wall	Treasurer	Pouch Cove	Council Representative
Ed Quilty	Director	Pouch Cove	Citizen Representative
Brian Martin	Chair	Flatrock	Citizen Representative
Darrin Thorne	Director	Flatrock	Council Representative
Kris Drodge	Director	Torbay	Citizen Representative
Jackie Fitzpatrick	Director	Torbay	Citizen Representative
Trina Appleby	Vice Chair	Torbay	Council Representative
Craig Scott	Director	Torbay	Council Representative

Management

Lorne Tucker

Facility Manager

Lorne has completed an Arena Management Certificate Program from the Arena Managers Association of NS and St. Mary's University in 1986. He started his employment with Jack Byrne Regional Sport & Entertainment Centre in October, 2010. His arena management career spans over 35 years which includes 10 years with the Town of Springdale, 2 years with the Town of Harbour Grace and 15 years as Manager of Feildian Gardens/ Prince of Wales Arena. Lorne is involved in all aspects of the operation of Jack Byrne Regional Sport & Entertainment Centre.

Cathy Green

Administrative Assistant

Cathy has been employed at Jack Byrne Regional Sport & Entertainment Centre since 2008. In her present position, as Administrative Assistant, Cathy is responsible for accounting, data entry and to assist the manager in all aspects of the operation. Between 2012 and present, Cathy has completed Certificate of Bookkeeping, Certificate of Achievement in Human Resource Development and Certificate of Achievement in Supervisory Management Skills.

Wayne Bennett

Maintenance Foreman

Wayne joined the Jack Byrne Regional Sport & Entertainment Centre for their opening in 2008 after working as Manager of St. Bon's Forum for a number of years. Wayne has completed many arena related courses and is responsible for getting general maintenance completed in a timely fashion.



Market and competition

Market and Competition

In St. John's and surrounding areas, there are facilities that serve as direct competition to the Arena related to ice surface rentals and overall event and tradeshow rentals; however, there is no direct competition in the four communities that the Arena serves.

Trade Shows and Events

One of the primary service offerings is producing and managing trade shows, concerts, conventions, association and company meetings.

Each event is typically 1-3 days in duration and attendees are mainly associations, government agencies, private companies, and individuals.

Demand for these services is mainly driven by economic activity, and most events are seasonal in nature.

The Arena owns more equipment on site, which provides a competitive advantage.

Mount Pearl Glacier

The Mount Pearl Glacier is a three level multipurpose complex and includes two 85' by 200' ice/floor surfaces, 10 dressing rooms, first aid room, referees room, board room, meeting room, viewing room, cafeteria with full kitchen, a 991 fixed seating capacity and a concert capacity of 4,000 people. The Mount Pearl Glacier is capable of hosting trade shows, concerts, car shows, conventions, musicals and other meeting rentals.

St. John's Curling Club

The St. John's Curling Club is able to provide services such as weddings, banquets, seminars, ice rentals, trade shows. The St. John's Curling Club can facilitate these functions by using the upstairs level of the Remax Centre or covering the 6 sheets of curling ice.

Paradise Double Ice Complex

The Paradise Double Ice Complex is the recreational complex in the Town of Paradise. It includes two NHL-sized ice surfaces, a multi-purpose room, office space and meeting areas. The Complex hosts a variety of events and programs.



Opportunity & Expansion

Market Analysis

The Board of Directors of the Arena engaged Tom Clift to complete market studies in advance of moving forward with its expansion

Ice Rink Utilization and Population Projection Study - June 2015

- The study focused on the Northeast Avalon Region;
- The study outlined that the region had by far the highest level of participation in minor hockey in Newfoundland and Labrador, with more than 20% of children in the area registered in minor hockey;
- Conclusion confirmed that the combination of population growth, increased housing development, higher than average participation levels in minor hockey (and all forms of recreation) and the continued high demand for ice time in the northeast region, in particular, suggests there will be a need for a second ice surface in this area by the year 2020.

Alternative Facility Options for the Jack Byrne Arena (Phase 4 Report) – January 2016

- The study focused on the Northeast Avalon Region;
- The study concluded that the most pressing need in the area is for an integrated sports recreation and lifestyle centre;
- It noted that the meetings and convention market in the region is growing; however, it did not appear to be sufficient market potential in this area;
- It noted that the current area resident profile is sufficient to warrant the development of a lifestyle centre;
- The study also noted that there are at least 5 provincial sport governing bodies that are interested in the development of long-term rental agreements for space in such a facility.

Overview

Expansion of the existing Arena includes the construction of a new building for a second ice surface, a new parking area and a relocated entrance. The expansion will add an additional 43,960 square feet to the current facility.

Existing	Expansion
Main level - ice surface - mechanical plant - ice resurfacer room - change rooms - public washrooms - administrative offices	Main level - ice surface - ticket booth - pro-shop - 5 new dressing rooms - ice resurfacer room - mechanical refrigeration plant
Second level - community room - walking track - public washrooms - electrical room - sound booth - meeting room - canteen/kitchen service	Second level - viewing area - canteen - bar - 2 large meeting rooms - mechanical room and loft - public washrooms

Expansion

Main level

The new lobby will house a ticket booth and a pro-shop which will provide retail space for sporting goods and equipment. A small satellite canteen will be located in the south-east corner to provide snacks during games and practices.

The new extension will also include five dressing rooms, an official's change room. A first aid room provides support to the new ice surface and a janitor's room promotes a clean and healthy facility.

The new ice surface will have its own mechanical and refrigeration plant which allows it to be independent of the existing arena.

Second level

The second level will house a multi-purpose room, providing additional space for meetings or small gatherings.

The viewing area, canteen and bar will be located between the existing arena and the new arena.

The two large meeting rooms will have a view of the new ice surface and provide additional space for community gatherings, conferences, birthday parties, etc.



Overview

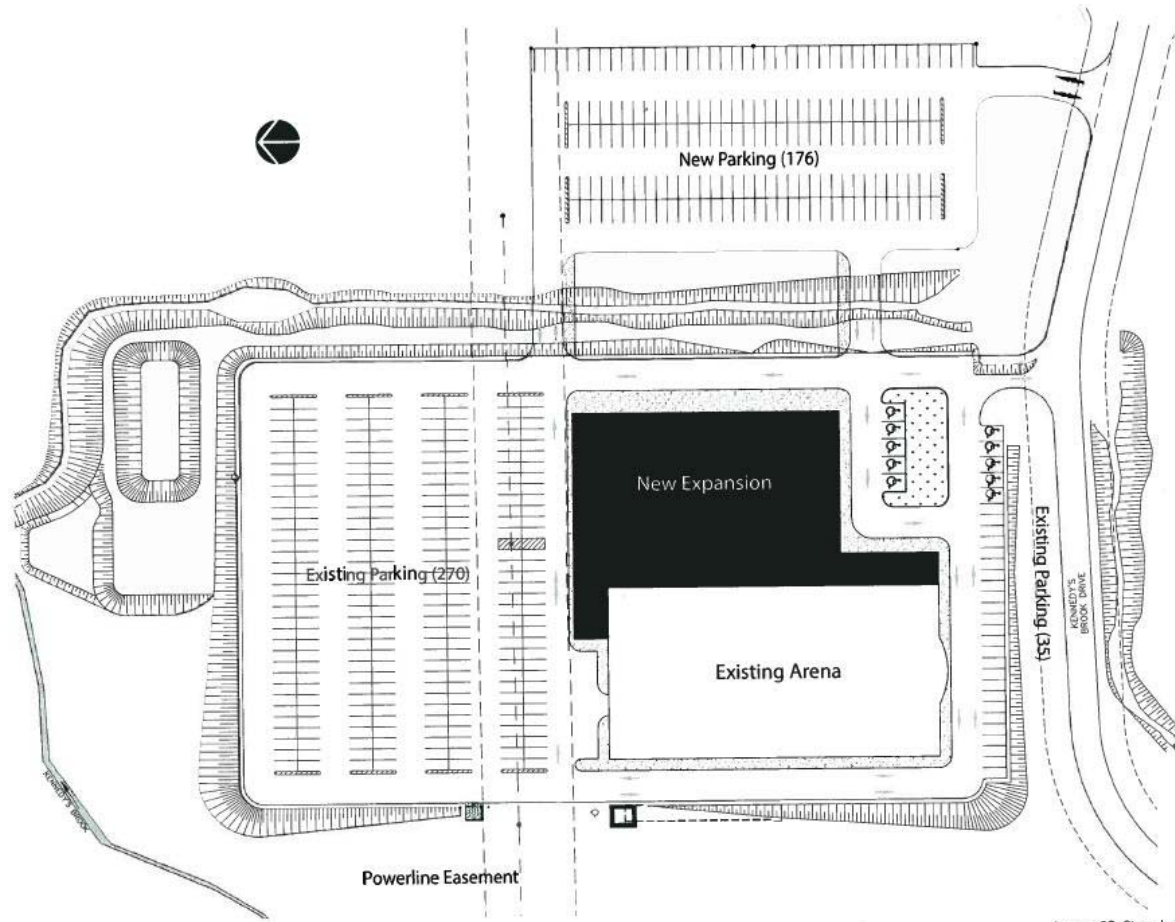


Image 03. Site plan.

Overview

The expansion is expected to add on to the existing building and also include a new building area. The total expansion is expected to add an additional 43,960 square feet.

	Square footage
Existing building	
Level 1	37,663
Level 2	13,757
	51,420
Expansion	
Level 1	34,563
Level 2	9,397
	43,960
TOTAL AREA	95,380



Source: Concept Design Report - Jack Byrne Regional Sports & Entertainment Centre
Proposed Second Ice Surface Expansion

Summary of Costs – Original Plan

Jewer Bailey Consultants Ltd. and LAT49 Architecture Inc. were engaged to provide the Board of Directors of the Arena with a detailed description of the proposed new expansion to the existing arena, so they could make a decision whether to proceed with the detailed design. This report was completed as of August 14, 2017 as a Class C estimate.

Management and the Board of Directors are currently re-evaluating the expansion plan and Jewer Bailey Consultants Ltd. And LAT49 Architecture Inc. are reviewing and adjusting the design and requirements to adjust the cost to approximately \$9 million. Changes and adjustments to the design are not expected to have an impact on the level of programs and services or Management’s assumptions related to forecasted revenue and expenses.

Element	Total Amount	Percentage of Total
Shell	3,176,371	23%
Substructure	405,009	
Structure	1,571,646	
Exterior Enclosure	1,199,716	
Interiors	1,307,435	9%
Partitions and doors	482,195	
Interior finishes	385,765	
Fittings and equipment	439,475	
Services	5,958,000	43%
Mechanical	4,358,000	
Electrical	1,600,000	
NET BUILDING SUBTOTAL - LESS SITE	10,441,806	75%
Site & Ancillary Work	1,715,053	12%
NET BUILDING SUBTOTAL - INCLUDING SITE	12,156,859	87%
General Requirements and Allowances	1,471,088	11%
NET BUILDING SUBTOTAL - EXCLUDING CONT	13,627,947	98%
Allowances	340,623	2%
TOTAL CONSTRUCTION COSTS (HST Extra)	13,968,570	100%
Items not included in above Estimate	1,300,000	
	15,268,570	
Design development contingency allowance (1%)	152,686	
Escalation allowance (3%)	458,057	
TOTAL	15,879,313	

Summary of Costs – Original Plan

The following assumptions were included in the Concept Design Report for the Jack Byrne Regional Sport & Entertainment Centre Proposed Second Ice Surface or added by Management:

Cost base

All costs are expressed in third quarter 2017 Canadian Dollars and shown exclusive of the 15% HST. The Arena is able to recover 100% of HST on the project costs.

Escalation

An escalation allowance was not included in the cost report. Through consultation with Jewer Bailey Consultants, Management estimated an escalation allowance of 3%.

Contingencies

A design development contingency allowance was not included in the cost report. Through consultation with Jewer Bailey Consultants, Management estimated the design development contingency allowance to be 1%.

A construction contingency allowance of 3% was factored into the cost report. Management noted that if capital costs exceed the approved estimate, construction will be altered to keep within the approved budget.

Exclusions

A number of items were excluded from the cost report. These additional items have been estimated by Management and are included below. Management subsequently consulted with Jewer Bailey Consultants on the estimate of \$915,000 for design fees, disbursements and project management fees.

Exclusions	Amount (\$)
Furniture, fittings and equipment	100,000
Third party commissioning	50,000
Land acquisition costs	150,000
Swing space costs	7,000
Design fees, disbursements & project management fees	915,000
Project financing	70,000
Legal and survey	8,000
Total exclusions	1,300,000
Design development contingency allowance (1%)	152,686
Escalation allowance (3%)	458,058
Final additions	610,744

Operations Impact

The Arena is forecasting the following expansion revenues for the projection period of December 31, 2020 to December 31, 2022.

Projected revenues	2020	2021	2022
Sales			
Advertising	12,000	12,500	13,100
Canteen	10,000	10,300	10,800
Vending	5,000	5,500	6,000
	27,000	28,300	29,900
Rental			
General skating	7,500	7,800	8,000
Ice rental	385,000	390,000	390,000
Non-ice rentals	20,000	21,100	25,000
	412,500	418,900	423,000
TOTAL PROJECTED REVENUES	439,500	447,200	452,900

Operations Impact

Property and equipment before and after the expansion have been shown below. Note that the expansion assets will be included in the Northeast Avalon Arena – A Partnership financial statements. However, it has been included below for information purposes, as the revenues and expenses will be included in Northeast Avalon Arena Regional Board Inc.

Existing Assets

North East Avalon Arena Regional Board Inc.

Existing assets	NBV 2017	NBV 2018	NBV 2019	NBV 2020	NBV 2021	NBV 2022
Furniture and equipment	189,625	154,850	123,880	99,104	79,283	63,426
Computers	8	-	-	-	-	-
Leasehold improvements	107,290	96,871	39,997	37,258	37,258	37,258
Shed	26,442	25,384	24,369	23,394	22,458	21,560
	323,365	277,105	188,246	159,756	138,999	122,244

Expansion Assets

Expansion

	Additions			
	2020	NBV 2020	NBV 2021	NBV 2022
Land	150,000	150,000	150,000	150,000
Furniture and equipment	8,500,000	8,393,750	8,181,250	7,968,750
Building	439,475	395,528	316,422	253,138
	9,089,475	8,939,278	8,647,672	8,371,888

Northeast Avalon Arena - A Partnership

Existing assets	NBV 2017	NBV 2018	NBV 2019	NBV 2020	NBV 2021	NBV 2022
Land and land improvements	229,130	229,130	229,130	229,130	229,130	229,130
Building and leasehold improvements	8,604,873	8,325,779	8,046,684	7,767,590	7,488,495	7,209,401
Vehicles and equipment	33,821	27,952	22,083	16,214	10,346	4,477
	8,867,824	8,582,861	8,297,897	8,012,934	7,727,971	7,443,007

Expansion	NBV 2020	NBV 2021	NBV 2022
Existing assets	8,172,690	7,866,970	7,565,251
Expansion assets	8,939,278	8,647,672	8,371,888
Total assets	17,111,968	16,514,642	15,937,139

Funding Proposed

The cost of the expansion is expected to be capped at \$9 million. The cost estimates prepared by Jewer Bailey Consultants Ltd. and LAT49 Architecture Inc. included expanded scope, which will be adjusted to meet this requirement. The cost is expected to be covered 70% by the provincial government through provincial funding and federal programs, including community infrastructure programs.

The remaining 30% is expected to be funded by the six municipalities; Torbay, Logy Bay-Middle Cove-Outer Cove, Pouch Cove, Bauline, Portugal Cove-St. Philips, and Flatrock. The allocation of funding from the six municipalities is calculated using 2016 census data on their respective population,

Sources & Use	
Sources	
Provincial Government and Federal Programs	6,300,000
Torbay	950,400
Logy Bay-Middle Cove-Outer Cove	267,300
Pouch Cove	248,400
Flatrock	202,500
Portugal Cove-St. Philips	977,400
Bauline	54,000
	9,000,000
Use	
Second Ice Surface Expansion	9,000,000



Financial summary

Financials – Projected Profitability of Expansion

\$CAD	Projected 2020	Projected 2021	Projected 2022
Revenue			
Rental income	405,000	411,100	415,000
Sale of goods	15,000	15,800	16,800
Advertising revenue	12,000	12,500	13,100
General skate	7,500	7,800	8,000
	439,500	447,200	452,900
Operating expenses			
Salaries and wages	180,000	185,400	191,000
Heat and light	120,000	128,000	136,000
Repairs and maintenance	30,000	35,000	40,000
Insurance	10,000	11,000	12,000
Telephone	3,000	3,000	3,200
Office expenses	2,000	2,500	3,000
Advertising and promotion	5,000	5,200	4,000
Other operating expense	10,000	12,000	14,000
Professional fees	5,000	5,200	5,500
Waste removal	4,000	4,200	4,500
	369,000	391,500	413,200
Operating income / (loss) before other items	70,500	55,700	39,700

Financials – Projected Profitability of Existing

\$CAD	Actual 2017	Projected 2018	Projected 2019	Projected 2020	Projected 2021	Projected 2022
Revenue						
Rental income	495,407	583,232	554,890	571,536	588,682	606,343
Events revenue	184,437	185,066	220,000	230,500	237,415	244,537
Sale of goods	36,880	58,900	51,500	53,150	54,745	56,387
Advertising revenue	37,804	38,600	36,000	37,080	38,192	39,338
General skate	9,124	8,500	10,575	10,892	11,219	11,555
Other revenue	155,380	23,224	20,071	20,921	21,548	22,195
	919,032	897,522	893,036	924,079	951,801	980,355
Operating expenses						
Salaries and wages	367,822	338,500	355,000	365,650	376,620	387,918
Direct costs - events	64,096	117,620	109,880	125,620	129,389	133,270
Heat and light	149,844	148,000	158,360	163,111	168,004	173,044
Repairs and maintenance	66,576	72,609	52,250	53,817	55,432	57,094
Snow removal	30,500	32,640	33,485	34,489	35,524	36,589
Insurance	23,915	24,000	26,400	27,192	28,008	28,848
Telephone	10,102	11,400	11,400	11,742	12,094	12,457
Office expenses	8,661	3,950	3,100	3,193	3,289	3,387
Advertising and promotion	14,502	14,000	13,000	13,390	13,792	14,205
Other operating expense	18,803	25,100	15,800	16,274	16,762	17,265
Interest and bank charges	7,097	7,900	7,400	7,622	7,851	8,086
Professional development	162,591	14,000	13,800	14,214	14,640	15,080
Professional fees	1,991	13,800	8,000	8,240	8,487	8,742
Waste removal	-	5,080	5,240	5,397	5,559	5,726
	926,500	828,599	813,115	849,951	875,451	901,711
Operating income / (loss) before other items	(7,468)	68,923	79,921	74,128	76,350	78,644

Financials – Projected Income Statement – Existing and Expansion

\$CAD	Actual 2017	Projected 2018	Projected 2019	Projected 2020	Projected 2021	Projected 2022
Revenue						
Rental income	495,407	583,232	554,890	976,536	999,782	1,021,343
Events revenue	184,437	185,066	220,000	230,500	237,415	244,537
Sale of goods	36,880	58,900	51,500	68,150	70,545	73,187
Advertising revenue	37,804	38,600	36,000	49,080	50,692	52,438
General skate	9,124	8,500	10,575	18,392	19,019	19,555
Other revenue	155,380	23,224	20,071	20,921	21,548	22,195
	919,032	897,522	893,036	1,363,579	1,399,001	1,433,255
Operating expenses						
Salaries and wages	367,822	338,500	355,000	545,650	562,020	578,918
Direct costs - events	64,096	117,620	109,880	125,620	129,389	133,270
Heat and light	149,844	148,000	158,360	283,111	296,004	309,044
Repairs and maintenance	66,576	72,609	52,250	83,817	90,432	97,094
Snow removal	30,500	32,640	33,485	34,489	35,524	36,589
Insurance	23,915	24,000	26,400	37,192	39,008	40,848
Telephone	10,102	11,400	11,400	14,742	15,094	15,657
Office expenses	8,661	3,950	3,100	5,193	5,789	6,387
Advertising and promotion	14,502	14,000	13,000	18,390	18,992	18,205
Other operating expense	18,803	25,100	15,800	26,274	28,762	31,265
Interest and bank charges	7,097	7,900	7,400	7,622	7,851	8,086
Professional development	162,591	14,000	13,800	14,214	14,640	15,080
Professional fees	1,991	13,800	8,000	13,240	13,687	14,242
Waste removal	-	5,080	9,240	9,597	10,059	5,726
	926,500	828,599	817,115	1,219,151	1,267,251	1,310,411
Operating income / (loss) before other items	(7,468)	68,923	75,921	144,428	131,750	122,844

Financials – Projected Balance Sheet

\$CAD	Opening 2017	Projected 2018	Projected 2019	Projected 2020	Projected 2021	Projected 2022
Assets						
Current assets						
Cash	19,118	28,232	89,772	198,621	319,958	431,601
Accounts receivable	90,765	98,727	98,234	149,994	153,890	157,658
Inventory	13,047	8,975	8,930	13,636	13,990	14,333
Current assets	122,930	135,934	196,936	362,251	487,838	603,592
Property and equipment - existing	323,365	277,105	188,246	159,756	138,999	122,244
Restricted cash	107,481	110,705	114,026	117,447	120,970	124,599
Non-current assets	430,846	387,810	302,272	277,203	259,969	246,843
Total assets	553,776	523,744	499,208	639,454	747,807	850,435
Liabilities and Net Assets						
Current liabilities						
Accounts payable and accrued liabilities	41,065	73,515	69,317	101,025	105,785	109,724
Severance payable	39,634	32,234	24,834	17,434	10,034	2,634
Deferred revenue	21,019	-	-	-	-	-
Current liabilities	101,718	105,749	94,151	118,459	115,819	112,358
Deferred contributions - existing	180,474	117,780	58,556	44,427	35,542	28,434
Non-current liabilities	180,474	117,780	58,556	44,427	35,542	28,434
Total liabilities	282,192	223,529	152,707	162,886	151,361	140,792
Net assets	271,584	300,215	346,501	476,568	596,446	709,643
Total liabilities and net assets	553,776	523,744	499,208	639,454	747,807	850,435

Financials – Projected Cash Flow Statement

\$CAD	Actual 2017	Projected 2018	Projected 2019	Projected 2020	Projected 2021	Projected 2022
Increase (decrease) in cash and cash equivalents						
Operating						
Net income / (loss)	(95,173)	28,631	46,286	130,067	119,878	113,197
Depreciation - existing	48,071	40,292	29,635	14,361	11,872	9,647
	(47,102)	68,923	75,921	144,428	131,750	122,844
Change in non-cash working capital	(5,928)	142	(11,060)	(32,158)	(6,890)	(7,572)
	(53,030)	69,065	64,861	112,270	124,860	115,272
Investing						
Additions to property plant and equipment	(42,376)	(56,727)	-	-	-	-
	(42,376)	(56,727)	-	-	-	-
Increase (decrease) in cash	(95,406)	12,338	64,861	112,270	124,860	115,272
Beginning cash balance	222,005	126,599	138,937	203,798	316,068	440,928
Ending cash balance	126,599	138,937	203,798	316,068	440,928	556,200
Cash	19,118	28,232	89,772	198,621	319,958	431,601
Restricted Cash	107,481	110,705	114,026	117,447	120,970	124,599
	126,599	138,937	203,798	316,068	440,928	556,200

Financial Assumptions – Existing operations

Revenues

- Actual revenues for January to November 2018 were reviewed with Management;
- Rental revenues were projected in 2018 and 2019 based on consistent and planned rentals, and were forecasted using an annual increase of 3% from 2020 - 2022;
- Events revenues were projected in 2018-2019 based on consistent and planned events, and were forecasted using an annual increase of 3% from 2020 – 2022;
- Sale of goods for 2018 was projected in line with a new contract with Robin's Donuts, and projected in 2019-2022 consistent with expected increases in rental revenues and events revenues;
- Advertising revenues were projected in 2019-2022 to be consistent with an annual increase of 3%
- Revenues are assumed to consist of approximately 89% rental revenues for ice rentals and non-ice rentals such as tradeshow and events, and 11% sales of goods related to bar and canteen sales;

Expenses

- Actual expenses for January to November 2018 were reviewed with Management;
- Forecasted Expenses for the 2018 fiscal year were provided by management. Generally, Inflation of 3% was added for each year after through to 2022;
- Wages and benefits have been calculated as approximately 40% of overall revenues consistent with historical results;
- Direct costs for the bar and canteen were assumed to be consistent with historical results;
- Direct costs for events were assumed at 36-45% of events revenue consistent with historical results;
- Heat and Light was forecasted based on actuals in 2018, an estimated increase of 10% in 2019 and inflation of 3% each year thereafter;
- Other operational costs were reviewed with Management and were estimated based on actuals in 2017 and 2018 (to September) and expectations for 2019, with an assumed inflation of 3% each year thereafter;

Financial Assumptions - Expansion

Rental revenues

- Ice rental has been projected based on 11 month ice operation assuming 40 hours per week at \$200 per hour;
- Based on Management's review and market analysis, it is expected that the market demands approximately 50 hours per week for a significant part of the year; therefore, the assumption for rental revenues above is considered reasonable;
- The Northeast Minor Hockey Association has committed to purchasing 35 hours per week in the proposed new expansion;
- Non ice rental includes meeting room rentals, and a minimum of 2 shows that would require both floor spaces for trade show type activity

Other revenues

- Advertising revenues have been projected based on 10 new Dasher Board signs;
- Sale of goods includes the following:
 - Canteen includes the net profit from operating the second outlet and also includes new pro-shop revenues;
 - Vending has been based on operation of vending units in the new area being consistent with results in the existing facility;
- General skating is based on 25 weeks of scheduled skating at \$300 per week;

Expenses

- Wages and benefits has been based on the assumption that 3 new area attendants will be hired and no additional management staff is anticipated;
- Advertising and promotion represents any additional cost that would not be included in overall promotion of the existing area;
- Professional services has been projected to include anticipated increases in services such as the annual audit;
- Insurance based on an increase of approximately 50%;
- Repairs and maintenance has been projected based on average existing annual maintenance costs;
- Utilities is based on the assumption that the new ice surface will have lower utilities due to the smaller size and that it will be more energy efficient

Financial Assumptions – Balance sheet

Assets

- Accounts receivable have been calculated based on an average percentage of revenues of 11%. This percentage has been based on past historical results from 2013 to 2017.
- Inventory has been calculated based on an average percentage of revenues of 1%. This percentage is based on past historical results from 2013 to 2017.
- Property and equipment has been projected using the following depreciation rates:
 - Building straight-line over 40 years
 - Furniture and equipment 20%
 - Computers 30%
 - Leasehold improvements straight-line over 5 years
 - Shed 4%
- Capital asset additions are projected based on actuals (to September) in 2018 and are projected to be \$nil during the period 2019 – 2022. This is due to a commitment by the towns to fund future capital asset requirements;

Assets (cont'd)

- Restricted cash has been included based on the closing balance from 2017 with an addition of 3% interest annually.

Liabilities

- Accounts payable has been calculated based on an average of 15% of total expenses, excluding wages. This percentage has been based on past historical results from 2013 to 2017.
- Severance liability is expected to be paid out at \$7,400 per year over 2018-2022.
- Deferred revenue is assumed to be \$nil in 2018 onward;
- Deferred contributions relate to property and equipment grants and are amortized on the same basis as the amortization of the related asset.



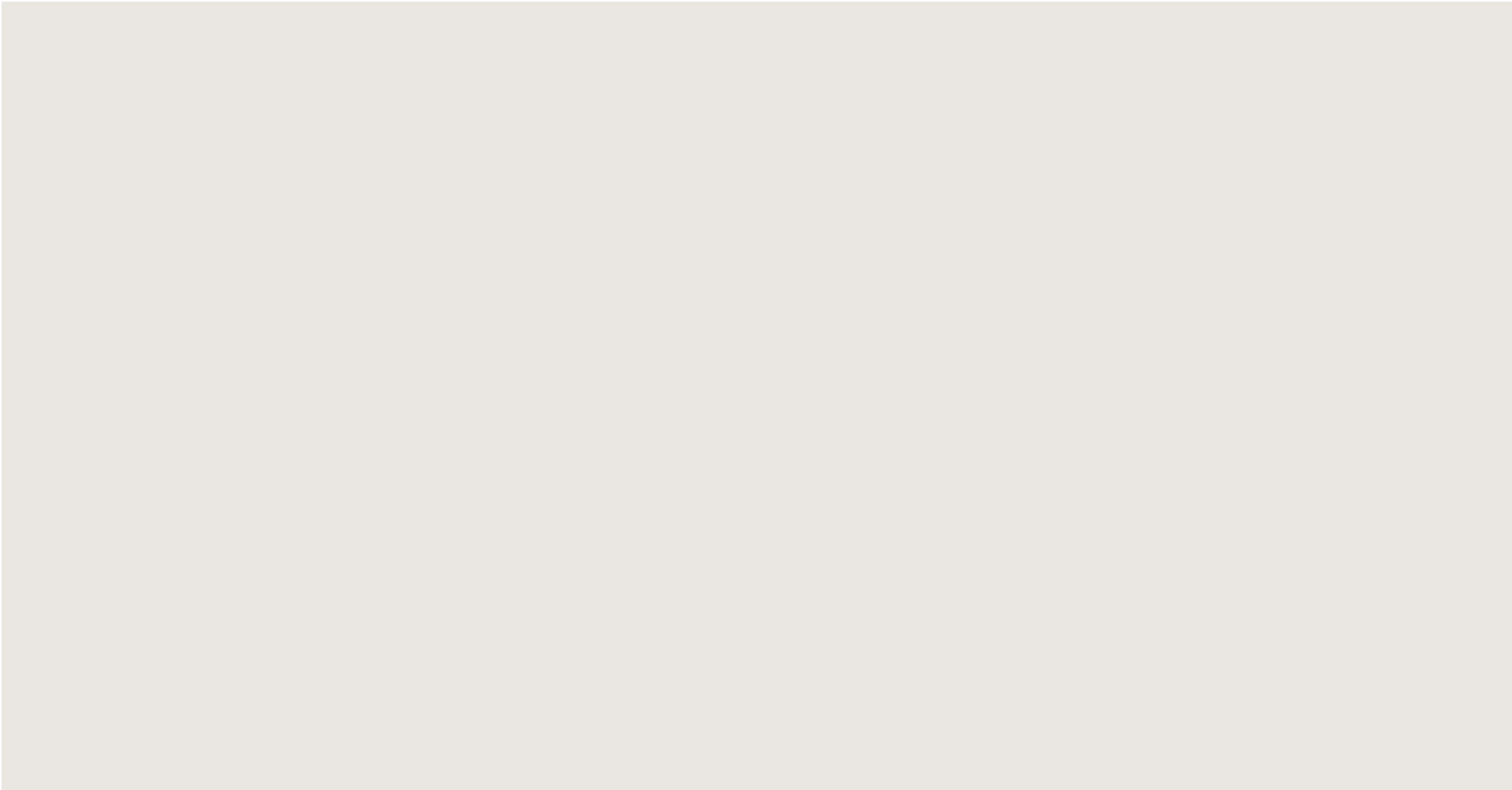
Appendices

Financials – Historical Income Statement

CADS	31-Dec-13	31-Dec-14	31-Dec-15	31-Dec-16	31-Dec-17
Revenue					
Rental income	492,399	506,618	484,415	466,247	495,407
Events revenue	187,882	257,809	240,030	204,897	184,437
Grant - arena expansion	-	-	-	-	148,913
Sale of goods	54,799	51,018	48,888	69,786	36,880
Advertising revenue	32,259	24,642	30,583	28,701	37,804
General skate	19,821	19,052	18,238	11,176	9,124
Other revenue	291	2,205	14,040	5,380	3,871
Interest income	212	1,197	2,523	3,123	2,596
	787,663	862,541	838,717	789,310	919,032
Operating expenses					
Salaries and wages	319,325	318,442	347,575	340,851	367,822
Direct costs - events	61,131	137,626	147,913	75,547	64,096
Heat and light	165,240	177,221	143,864	143,459	149,844
Repairs and maintenance	76,893	79,725	89,344	82,011	66,576
Snow removal	24,358	23,927	30,249	30,335	30,500
Insurance	15,918	15,735	18,377	24,948	23,915
Telephone	14,103	13,506	10,938	12,314	10,102
Office expenses	6,522	11,600	7,877	10,281	8,661
Advertising and promotion	12,456	6,312	11,286	9,533	14,502
Other operating expense	22,439	19,249	17,816	17,463	18,803
Interest and bank charges	4,339	5,529	6,425	8,005	7,097
Professional development	15,093	11,014	12,372	6,850	162,591
Professional fees	1,882	7,399	4,789	5,526	1,991
	739,699	827,285	848,825	767,123	926,500
Income (loss) from operations	47,964	35,256	(10,108)	22,187	(7,468)

Financials – Historical Balance Sheet

CAD\$	31-Dec-13	31-Dec-14	31-Dec-15	31-Dec-16	31-Dec-17
Assets					
Current					
Cash	140,430	105,663	72,963	117,120	19,118
Accounts receivable	107,613	97,893	80,860	92,042	90,765
Inventory	8,653	15,401	10,039	10,463	13,047
Prepays	3,266	6,766	-	-	-
	259,962	225,723	163,862	219,625	122,930
Property and equipment	408,830	356,615	456,149	380,980	323,365
Restricted cash	75,212	89,466	101,976	104,885	107,481
	484,042	446,081	558,125	485,865	430,846
Total assets	744,004	671,804	721,987	705,490	553,776
Liabilities					
Current					
Accounts payable and accrued liabilities	70,239	53,968	64,646	106,337	41,065
Severance payable	-	-	-	-	39,634
Deferred revenue	12,500	8,500	-	-	21,019
	82,739	62,468	64,646	106,337	101,718
Deferred contributions	211,843	169,475	271,603	232,397	180,474
	294,582	231,943	336,249	338,734	282,192
Net assets	449,422	439,861	385,738	366,756	271,584
	449,422	439,861	385,738	366,756	271,584
Total liabilities and net assets	744,004	671,804	721,987	705,490	553,776



Audit • Tax • Advisory
© 2018 Grant Thornton LLP. A Canadian Member of Grant Thornton International Ltd. All rights reserved.

www.grantthornton.ca