

**PRINCE RUPERT LEGACY INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**PRINCE RUPERT LEGACY INC.**  
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**DECEMBER 31, 2017**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Prince Rupert Legacy Inc.

### Report on the Financial Statements

We have audited the accompanying balance sheet of Prince Rupert Legacy Inc. as at December 31, 2017 and the statements of income and cash flows for the year then ended and a summary of significant accounting policies.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

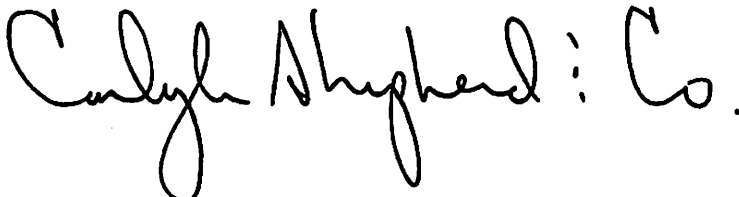
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for 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 financial statements.

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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Prince Rupert Legacy Inc. as at December 31, 2017 and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Prince Rupert, BC  
May 7, 2018



PRINCE RUPERT LEGACY INC.

BALANCE SHEET

DECEMBER 31

ASSETS

	2017	2016
	\$	\$
<b>CURRENT</b>		
Cash and cash equivalents (note 1)	11,103,286	13,924,622
Accounts receivable	73,694	51,146
Loans, current portion	<u>84,834</u>	<u>69,163</u>
	<u>11,261,814</u>	<u>14,044,931</u>
<b>LAND (note 1)</b>	<u>1,109,000</u>	<u>1,109,000</u>
<b>OTHER</b>		
Loans (note 4)	<u>1,287,058</u>	<u>1,121,891</u>
	<u>13,657,872</u>	<u>16,275,822</u>

APPROVED BY THE DIRECTORS

 Director

\_\_\_\_\_ Director

**PRINCE RUPERT LEGACY INC.**

**BALANCE SHEET**

**DECEMBER 31**

**LIABILITIES AND SHAREHOLDER EQUITY**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT</b>		
Accounts payable and accruals	45,333	3,515
Due to City of Prince Rupert	<u>6,723,814</u>	<u>3,502,483</u>
	<u>6,769,147</u>	<u>3,505,998</u>
<b>SHAREHOLDER EQUITY</b>		
Share Capital (note 2)	<u>1</u>	<u>1</u>
Contributed Surplus (note 3)	<u>1,088,810</u>	<u>1,088,810</u>
<b>Retained Income</b>		
Opening balance	11,681,013	15,292,389
Net income (loss)	778,901	-111,376
Dividend	<u>-6,660,000</u>	<u>-3,500,000</u>
Closing balance	<u>5,799,914</u>	<u>11,681,013</u>
	<u>13,657,872</u>	<u>16,275,822</u>

**PRINCE RUPERT LEGACY INC.**

**STATEMENT OF INCOME**

**YEAR ENDED DECEMBER 31**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>INCOME</b>		
Rental	610,000	-
Interest	174,922	224,120
Other	<u>226,000</u>	<u>-</u>
	<u>1,010,922</u>	<u>224,120</u>
<b>EXPENSES</b>		
Lease costs	200	-
Office and sundry	381	-
Professional services	212,688	10,531
Property taxes	-	324,965
Travel	<u>18,752</u>	<u>-</u>
	<u>232,021</u>	<u>335,496</u>
<b>NET INCOME (LOSS)</b>	<u>778,901</u>	<u>-111,376</u>

**PRINCE RUPERT LEGACY INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>OPERATING ACTIVITIES</b>		
Net income (loss)	778,901	-111,376
Accounts receivable	-22,548	-4,882
Loans	-180,838	-1,191,054
Accounts payable and accruals	<u>41,818</u>	<u>-513</u>
	<u>617,333</u>	<u>-1,307,825</u>
 <b>FINANCING ACTIVITIES</b>		
Due to City of Prince Rupert	3,221,331	750,000
Dividend	<u>-6,660,000</u>	<u>-3,500,000</u>
	<u>-3,438,669</u>	<u>-2,750,000</u>
 <b>CHANGE IN CASH</b>	 -2,821,336	 -4,057,825
 <b>OPENING CASH BALANCE</b>	 <u>13,924,622</u>	 <u>17,982,447</u>
 <b>CLOSING CASH BALANCE</b>	 <u>11,103,286</u>	 <u>13,924,622</u>

**PRINCE RUPERT LEGACY INC.**

**NOTES**

**DECEMBER 31, 2017**

**1. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with Canadian accounting standards for private enterprises.

Cash and cash equivalents comprise demand accounts and term deposits with maturity dates of less than eighteen months.

Land is reported at market value at acquisition date.

Income and expenses are reported on an accrual basis. Income is recognized when the service is delivered or ownership of products has been transferred and the value of the transaction can be measured.

The preparation of financial statements in accordance with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates.

The company measures financial assets and liabilities at market value at the date of acquisition. It is management's opinion that the company's financial instruments are not exposed to significant interest rate, liquidity, market or other price risks.

The company is exempt from income taxes under section 149 of the Income Tax Act.

**2. SHARE CAPITAL**

Issued 100 Common shares without par value

**3. CONTRIBUTED SURPLUS**

Contributed surplus is the market value of land transferred by the City of Prince Rupert to the company on June 14, 2014 less transfer costs.



**PRINCE RUPERT LEGACY INC.**

**NOTES**

**DECEMBER 31, 2017**

**4. LOANS**

Prince Rupert Airport Authority; payments include interest at 2.5% per annum, secured by mortgage on Airport Lands.

\$24,080 due January 28 and July 28 each year with a final payment on January 28, 2031. \$ 549,498

\$16,054 due April 6 and October 6 each year with a final payment on April 6, 2031. 366,332

\$9,030 due June 20 and December 20 each year with a final payment on June 20, 2031. 206,062

\$10,033 due February 28 and August 28 each year with a final payment on August 28, 2032. 250,000

1,371,892  
Current portion 84,834

Non-current portion \$ 1,287,058

Scheduled principal repayments for the next five years are as follows:

2018	\$ 84,834
2019	86,953
2020	89,127
2021	91,355
2022	<u>93,640</u>
	<u>\$ 445,909</u>