

Financial Statements

Prince Rupert Legacy Inc.

December 31, 2025

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MANAGEMENT'S REPORT

The management of Prince Rupert Legacy Ltd. is responsible for the integrity of the accompanying financial statements. The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. The preparation of the financial statements necessarily includes some amounts which are based on the best estimates and careful judgement of management.

To assist in meeting its responsibility, management maintains accounting, budget and other internal controls. These controls provide reasonable assurance that transactions are appropriately authorized and accurately recorded, that assets are properly accounted for and safeguarded, in order that the integrity of financial records is maintained.

The financial statements have been audited by the independent firm of Doane Grant Thornton LLP. Their report to the shareholder stating the scope of their examination and opinion on the financial statements accompanies this statement.



Corinne Bomben
Director

Independent auditor's report

To the Shareholder of Prince Rupert Legacy Inc.

Opinion

We have audited the financial statements of Prince Rupert Legacy Inc. ("the Organization"), which comprise the statement of financial position as at December 31, 2025, and the statements of operations, change in net financial assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Prince Rupert Legacy Inc. as at December 31, 2025, and its results of operations, its changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – First Time Adoption of Canadian Public Sector Accounting Standards

We draw attention to Note 2 to the financial statements which describes that the Organization adopted Canadian public sector accounting standards on January 1, 2025 with a transition date of January 1, 2024. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statement of financial position as at December 31, 2024, and the statement of operations, changes in net financial assets and cash flow for the year ended December 31, 2024, and related disclosures. Our opinion is not modified in respect of this matter.

Other matter

The financial statements of the Organization for the year ended December 31, 2024 were audited by another auditor who expressed a unmodified opinion on those financial statements on April 30, 2025.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as

management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Prince Rupert, Canada
June 9, 2026

Doane Grant Thornton LLP
Chartered Professional Accountants

Prince Rupert Legacy Inc.

Statement of Financial Position

December 31

2025

2024

Financial assets

Cash	\$ 8,742,353	\$ 8,289,866
Accounts receivable	322,023	214,848
Loans receivable (Note 5)	837,410	933,210
	<u>9,901,786</u>	<u>9,437,924</u>

Liabilities

Accounts payable and accrued liabilities	37,086	502,723
Deferred revenue (Note 6)	1,470,104	1,836,448
Due to City of Prince Rupert	3,094,380	3,394,669
	<u>4,601,570</u>	<u>5,733,840</u>

Net financial assets	<u>5,300,216</u>	<u>3,704,084</u>
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Non financial assets

Property (Note 7)	<u>7,129,592</u>	<u>6,913,130</u>
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Net assets (Note 10)	<u>\$ 12,429,808</u>	<u>\$ 10,617,214</u>
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Lease commitments (Note 11)

Approved by the directors



Director



Director

See accompanying notes to the financial statements

Prince Rupert Legacy Inc.

Statement of Operations

For the Year Ended December 31	Budget 2025	Actual 2025	Actual 2024
Revenue			
Rental	\$ 3,775,000	\$ 3,977,435	\$ 2,295,089
Throughput	1,300,000	1,290,370	1,310,728
Interest	100,000	132,282	143,840
Province of British Columbia grant	-	-	150,000
	<u>5,175,000</u>	<u>5,400,087</u>	<u>3,899,657</u>
Expenses			
Amortization	55,000	58,903	54,042
Contract services	250,000	209,720	304,850
Lease costs	130,000	104,703	130,072
Office and sundry	-	-	186
Professional services	60,000	64,336	59,933
Repairs and maintenance	60,000	115,863	56,401
Travel	50,000	33,968	82,602
	<u>605,000</u>	<u>587,493</u>	<u>688,086</u>
Annual surplus (note 10)	<u>\$ 4,570,000</u>	<u>\$ 4,812,594</u>	<u>\$ 3,211,571</u>

See accompanying notes to the financial statements

Prince Rupert Legacy Inc. Statement of Changes in Net Financial Assets

For the Year Ended December 31	Budget 2025	Actual 2025	Actual 2024
Annual surplus	\$ 4,570,000	\$ 4,812,594	\$ 3,211,571
Changes in non-financial assets			
Amortization of property	54,042	58,903	54,042
Acquisition of property	(413,672)	(275,365)	(413,672)
	(359,630)	(216,462)	(359,630)
Change in net financial assets from operations and capit	4,210,370	4,596,132	2,851,941
Other changes in net financial assets			
Dividend declared	(3,250,000)	(3,000,000)	(3,250,000)
Change in net financial assets	960,370	1,596,132	(398,059)
Net financial assets, beginning of year	3,704,084	3,704,084	4,102,143
Net financial assets, end of year	\$ 4,664,454	\$ 5,300,216	\$ 3,704,084

See accompanying notes to the financial statements

Prince Rupert Legacy Inc.

Statement of Cash Flow

For the Year Ended December 31

2025

2024

Increase (decrease) in cash

Operating activities

Annual surplus \$ 4,812,594 \$ 3,211,571

Non-cash items:

Amortization 58,903 54,042

4,871,497 3,265,613

Changes in non-cash operating items:

Accounts receivable (107,175) (55,979)

Accounts payable and accrued liabilities (465,637) 408,517

Deferred revenue (366,344) (328,792)

(939,156) 23,746

Cash flow from operating activities

3,932,341 3,289,359

Investing activities

Loan receivable 95,800 86,411

Cash flow used by investing activities

95,800 86,411

Financing activities

Dividend (3,000,000) (3,250,000)

Due to City of Prince Rupert (300,289) (889,897)

Cash flow used by financing activities

(3,300,289) (4,139,897)

Capital activities

Property additions (275,365) (413,672)

Cash flow used by capital activities

(275,365) (413,672)

Increase (decrease) in cash

452,487 (1,177,799)

Cash, beginning of year

8,289,866 9,467,665

Cash, end of year

\$ 8,742,353 \$ 8,289,866

See accompanying notes to the financial statements

Prince Rupert Legacy Inc.

Notes to the Financial Statements

December 31, 2025

1. Purpose of organization

Prince Rupert Legacy Ltd. (the “Organization”) is a wholly owned subsidiary of the City of Prince Rupert (the “City”) established to develop and manage property and generate profits to fund City capital projects. All figures are presented in Canadian dollars. The company is exempt from income taxes under section 149 of the Revenue Tax Act.

2. First time adoption of Canadian Public Sector Accounting Standards

These financial statements are the first financial statements for which the Organization has applied Canadian public sector accounting standards (“PSAS”).

The Organization’s comparative financial information for the year ended December 31, 2024 has been restated to conform with PSAS, in accordance with the transition provisions set out in Section PS 2125 – First-time Adoption. The date of transition to PSAS is January 1, 2025.

In fiscal years preceding December 31, 2025, the Organization prepared its financial statements in accordance with Accounting Standards for Private Enterprises (ASPE). During the year ended December 31, 2025, it was determined that the Organization meets the definition of an Other Government Organization and is therefore required to prepare its financial statements in accordance with PSAS.

Upon adoption of PSAS, amounts previously presented as shareholder’s equity under ASPE are now presented as net assets, in accordance with PSAS presentation requirements. The adoption of PSAS did not result in any adjustments to the Organization’s opening shareholder’s equity as at January 1, 2025, and accordingly no restatement of shareholder’s equity was required on transition.

3. Significant accounting policies

The significant accounting policies used in the preparation of these financial statements are summarized below:

Basis of accounting

The financial statements have been prepared on an accrual basis of accounting primarily using the historical cost basis of measurement. In limited circumstances, where specifically mentioned in the respective accounting policies, other bases of measurement have been used.

Revenue recognition

Revenue and expenses are reported on an accrual basis.

Prince Rupert Legacy Inc.
Notes to the Financial Statements
December 31, 2025

3. Significant accounting policies *(continued)*

Rental revenue is recognized on a straight-line basis over the term of the lease. Amounts received in advance of the period to which the rental revenue relates are recorded as deferred rental revenue and as revenue over the applicable lease term.

Throughput revenue represents fees or charges earned based on the volume of operation handled by the tenant. Throughput revenue is recognized as revenue in the period in which the related activity occurs.

Interest revenue is recognized on an accrual basis using the effective interest method. Interest revenue is recorded in the period in which it is earned.

Cash

Cash comprises demand accounts with financial institutions.

Property

Land and land improvements are recorded at cost, net of write-downs. Transfers of property between related parties are recorded at fair market value.

Leasehold improvements are recorded at cost less accumulated amortization on a straight-line basis over 25 years.

An impairment loss is recognized when the carrying amount of a property is not fully recoverable. The loss is measured as the excess of the carrying amount over its fair value. The fair value is the market value or the sum of the undiscounted cash flows expected to result from its use or eventual disposition. Property are tested for recoverability when events or changes in circumstances indicate that its carrying amount may not be recoverable.

Financial instruments

The Organization considers any contract creating a financial asset, liability or surplus instrument as a financial instrument, except in certain limited circumstances. The Organization accounts for the following as financial instruments: cash, accounts receivable, accounts payable and loans receivable.

Measurement

The Organization initially measures financial assets and financial liabilities originating, acquired, issued or assumed in arm's length transactions at fair value.

The Organization subsequently measures these financial assets and financial liabilities at amortized cost.

Transaction costs related to financial instruments measured at cost or amortized cost are added to the carrying value of the financial instrument. Transaction costs related to financial instruments recorded at their fair values are expensed as incurred.

Prince Rupert Legacy Inc.

Notes to the Financial Statements

December 31, 2025

3. Significant accounting policies *(continued)*

Derecognition

Financial liabilities are removed from the statement of financial position when they are discharged, cancelled or expire.

Impairment

Financial assets measured at amortized cost are tested for impairment when indicators of impairment exist at the end of the reporting period. Previously recognized impairment losses are reversed to the extent of the improvement provided the financial asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in annual surplus.

Measurement uncertainty

The preparation of financial statements in accordance with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affects the amounts reported in the financial statements and accompanying notes. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the Statement of Operations in the period in which they become known. Actual results could differ from those estimates.

Items subject to management estimates include the estimated useful lives of property, the allowance for doubtful accounts, and the amount of accrued liabilities.

4. Financial instruments

Prince Rupert Legacy Inc. is not subject to significant risk from market, liquidity, foreign currency, interest rate or price risk. The significant financial risks to which the Organization is exposed, include the following:

Credit Risk:

Credit Risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Organization to a concentration of credit risk consist primarily of cash, accounts and loans receivable. The Organization limits its exposure to credit loss by placing its cash with approved Canadian financial institutions. Accounts receivable consist primarily of amounts due from the commercial tenants, which are generally large, established organizations and are not considered to have significant credit risk. Loans receivable are secured by property. The Organization's maximum exposure to credit risk for cash, accounts and loans receivables are the amounts disclosed in the Statement of Financial Position. Management believes that the credit risk concentration with respect to financial instruments included in cash and receivables is minimal and loans receivable are secured.

Prince Rupert Legacy Inc.

Notes to the Financial Statements

December 31, 2025

5. Loans receivable

Loans receivable from the Prince Rupert Airport Authority (PRAA); payments include interest at 2.5% per annum. The loans are secured by mortgage on Airport Lands.

	<u>2025</u>	<u>2024</u>
\$24,080 due January 28 and July 28 each year with a final payment on January 28, 2033.	\$ 327,700	\$ 366,985
\$16,054 due April 6 and October 6 each year with a final payment on April 6, 2033.	218,466	244,656
\$9,030 due June 20 and December 20 each year with a final payment on June 20, 2033.	130,298	144,850
\$10,033 due February 28 due August 28 each year with a final payment on August 28, 2034.	160,946	176,719
	<u>\$ 837,410</u>	<u>\$ 933,210</u>

Principal repayment terms are approximately:

2026	\$ 105,792
2027	100,840
2028	103,361
2029	105,945
2030	108,592
Thereafter	\$ 312,880

6. Deferred revenue

	<u>2025</u>	<u>2024</u>
Rental received in advance - cash	\$ 328,764	\$ 399,705
Rental received in advance – leasehold improvements	1,120,107	1,415,910
Other	21,233	20,833
	<u>\$ 1,470,104</u>	<u>\$ 1,836,448</u>

Prince Rupert Legacy Inc.

Notes to the Financial Statements

December 31, 2025

7. Property

			<u>2025</u>	<u>2024</u>
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 1,816,230	\$ -	\$ 1,816,230	\$ 1,816,230
Land improvements	4,135,296	-	4,135,296	3,962,019
Leasehold improvements	1,409,333	231,267	1,178,066	1,134,881
	<u>\$ 7,360,859</u>	<u>\$ 231,267</u>	<u>\$ 7,129,592</u>	<u>\$ 6,913,130</u>

8. Equity in property

	<u>2025</u>	<u>2024</u>
Balance, beginning of year	\$ 5,497,220	\$ 4,909,721
Less: Amortization	(58,903)	(54,042)
Add: Property additions	275,365	413,672
Add: Deferred leasehold improvement revenue	295,803	227,869
Balance, end of year	<u>\$ 6,009,485</u>	<u>\$ 5,497,220</u>

9. Share capital

Authorized

1,000 Class A shares, common, without par value

Issued

	<u>2025</u>	<u>2024</u>
1 Class A share	<u>\$ 1</u>	<u>\$ 1</u>

Prince Rupert Legacy Inc.

Notes to the Financial Statements

December 31, 2025

10. Net assets

	2025				
	Balance, beginning of year	Annual surplus	Transfer	Dividend declared	Balance, end of year
Share capital	\$ 1	\$ -	\$ -	\$ -	\$ 1
Operating surplus, unrestricted	5,119,993	4,575,694	(275,365)	(3,000,000)	6,420,322
Equity in property	5,497,220	236,900	275,365	-	6,009,485
Total	\$10,617,214	\$ 4,812,594	\$ -	\$(3,000,000)	\$12,429,808

	2024				
	Balance, beginning of year	Annual surplus	Transfer	Dividend declared	Balance, end of year
Share capital	\$ 1	\$ -	\$ -	\$ -	\$ 1
Operating surplus, unrestricted	5,745,921	3,037,744	(413,672)	(3,250,000)	5,119,993
Equity in capital	4,909,721	173,827	413,672	0	5,497,220
Total	\$10,655,643	\$ 3,211,571	\$ -	\$(3,250,000)	\$10,617,214

Prince Rupert Legacy Inc.
Notes to the Financial Statements
December 31, 2025

11. Lease commitments

The Organization leases land from the City of Prince Rupert under two thirty-year land lease agreements that commenced in January and June 2017. Each lease has nominal consideration of \$100 per annum and were not negotiated at arm's length.

12. Economic dependence

The Organization is economically dependent on a limited number of tenants. During the year, approximately 80% (2024: 75%) of the Organization's revenues was generated from a single tenant.