

PRINCE RUPERT LEGACY INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2019

PRINCE RUPERT LEGACY INC.
INDEX TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

INDEPENDENT AUDITOR'S REPORT

BALANCE SHEET

STATEMENT OF INCOME

STATEMENT OF CASH FLOWS

NOTES



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Prince Rupert Legacy Inc.

Opinion

We have audited the financial statements of Prince Rupert Legacy Inc., which comprise the balance sheet as at December 31, 2019, the statements of income and cash flows 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, 2019 and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. We are independent of the Company 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.

Auditor's Responsibility 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 judgement and maintain professional skepticism throughout the audit.

Responsibilities of Management and the Board of Directors 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless conditions exist that do not allow the going concern basis to be used.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Prince Rupert, BC
May 11, 2020

PRINCE RUPERT LEGACY INC.

BALANCE SHEET

DECEMBER 31

ASSETS

	2019	2018
	\$	\$
CURRENT		
Cash (note 1)	12,486,548	9,910,467
Accounts receivable	144,001	182,326
Loans, current portion	<u>89,128</u>	<u>86,953</u>
	<u>12,719,677</u>	<u>10,179,746</u>
LAND AND IMPROVEMENTS (note 1)	<u>4,080,918</u>	<u>3,387,691</u>
OTHER		
Loans (note 5)	<u>1,110,977</u>	<u>1,200,105</u>
	<u>17,911,572</u>	<u>14,767,542</u>

APPROVED BY THE DIRECTORS

Carie Bond Director

RP Director

PRINCE RUPERT LEGACY INC.

BALANCE SHEET

DECEMBER 31

LIABILITIES AND SHAREHOLDER EQUITY

	2019	2018
	\$	\$
CURRENT		
Accounts payable and accruals	184,607	58,137
Deferred income, current portion	683,375	783,375
Due to City of Prince Rupert	<u>2,742,509</u>	<u>5,296,596</u>
	<u>3,610,491</u>	<u>6,138,108</u>
 OTHER		
Deferred income (note 2)	<u>3,439,577</u>	<u>2,528,691</u>
 SHAREHOLDER EQUITY		
Share Capital (note 3)	<u>1</u>	<u>1</u>
Contributed Surplus (note 4)	<u>1,088,810</u>	<u>1,088,810</u>
Retained Income		
Opening balance	5,011,931	5,799,914
Net income	7,360,762	3,712,018
Dividend	<u>-2,600,000</u>	<u>-4,500,000</u>
Closing balance	<u>9,772,693</u>	<u>5,011,932</u>
	<u>17,911,572</u>	<u>14,767,542</u>

PRINCE RUPERT LEGACY INC.

STATEMENT OF INCOME

YEAR ENDED DECEMBER 31

	2019	2018
	\$	\$
INCOME		
Rental	3,491,226	1,330,833
Interest	136,861	105,730
Expense recoveries	23,335	900,000
Grant of options to lease	<u>4,189,114</u>	<u>2,380,000</u>
	<u>7,840,536</u>	<u>4,716,563</u>
EXPENSES		
Contract services	386,224	882,043
Lease costs	7,512	200
Office and sundry	-	192
Professional services	45,523	54,296
Travel	<u>40,515</u>	<u>67,814</u>
	<u>479,774</u>	<u>1,004,545</u>
NET INCOME	<u>7,360,762</u>	<u>3,712,018</u>

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

	2019	2018
	\$	\$
OPERATING ACTIVITIES		
Net income	7,360,762	3,712,018
Accounts receivable	38,325	-108,632
Accounts payable and accruals	126,469	12,804
Deferred income	<u>810,886</u>	<u>3,312,066</u>
	<u>8,336,442</u>	<u>6,928,256</u>
FINANCING ACTIVITIES		
Due to City of Prince Rupert	-2,554,087	-1,427,218
Dividend	<u>-2,600,000</u>	<u>-4,500,000</u>
	<u>-5,154,087</u>	<u>-5,927,218</u>
INVESTING ACTIVITIES		
Land additions	-693,227	-2,278,691
Loans	<u>86,953</u>	<u>84,834</u>
	<u>-606,274</u>	<u>-2,193,857</u>
CHANGE IN CASH	2,576,081	-1,192,819
OPENING CASH BALANCE	<u>9,910,467</u>	<u>11,103,286</u>
CLOSING CASH BALANCE	<u>12,486,548</u>	<u>9,910,467</u>

PRINCE RUPERT LEGACY INC.

NOTES

DECEMBER 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES

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

Cash comprises demand accounts and term deposits with maturity dates of less than eighteen months.

Land and improvements are reported at market value at acquisition date.

Income and expenses are reported on an accrual basis. Income is recognized when the service is delivered and the value of the transaction can be measured. Income received in advance of a service being delivered is deferred until the conditions for recognition have been met.

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. DEFERRED INCOME

Rental	\$ 2,962,066
Environmental remediation and structural improvements	<u>1,160,866</u>
	4,122,932
Current portion	<u>683,375</u>
Non-current portion	<u>\$ 3,439,557</u>

PRINCE RUPERT LEGACY INC.

NOTES

DECEMBER 31, 2019

3. SHARE CAPITAL

Issued 100 Common shares without par value

4. 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.

5. 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. \$ 479,186

\$16,054 due April 6 and October 6 each year with a final payment on April 6, 2031. 319,457

\$9,030 due June 20 and December 20 each year with a final payment on June 20, 2031. 179,694

\$10,033 due February 28 and August 28 each year with a final payment on August 28, 2032. 221,768

Current portion 1,200,105
89,128

Non-current portion \$ 1,110,977

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

2020	\$ 89,128
2021	91,355
2022	93,640
2023	95,981
2024	<u>98,380</u>
	<u>\$ 468,484</u>

