

PRINCE RUPERT LEGACY INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2016

PRINCE RUPERT LEGACY INC.
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DECEMBER 31, 2016

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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, 2016 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.

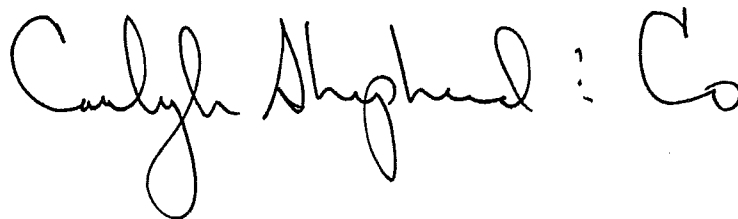
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, 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, 2016 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
March 30, 2017



PRINCE RUPERT LEGACY INC.


BALANCE SHEET

DECEMBER 31


ASSETS

	2016	2015
	\$	\$
CURRENT		
Cash and cash equivalents (note 1)	13,924,622	17,982,447
Accounts receivable	51,146	46,264
Loans, current portion	<u>69,163</u>	<u>-</u>
	<u>14,044,931</u>	<u>18,028,711</u>
LAND (note 1)	<u>1,109,000</u>	<u>1,109,000</u>
OTHER		
Loans (note 4)	<u>1,121,891</u>	<u>-</u>
	<u>16,275,822</u>	<u>19,137,711</u>

APPROVED BY THE DIRECTORS



Director



Director

PRINCE RUPERT LEGACY INC.

BALANCE SHEET

DECEMBER 31

LIABILITIES AND SHAREHOLDER EQUITY

	2016	2015
	\$	\$
CURRENT		
Accounts payable and accruals	3,515	4,028
Due to City of Prince Rupert	<u>3,502,483</u>	<u>2,752,483</u>
	<u>3,505,998</u>	<u>2,756,511</u>
 SHAREHOLDER EQUITY		
Share Capital (note 2)	<u>1</u>	<u>1</u>
Contributed Surplus (note 3)	<u>1,088,810</u>	<u>1,088,810</u>
Retained Income		
Opening balance	15,292,389	17,951,598
Net income (loss)	-111,376	90,791
Dividend	<u>-3,500,000</u>	<u>-2,750,000</u>
Closing balance	<u>11,681,013</u>	<u>15,292,389</u>
	<u>16,275,822</u>	<u>19,137,711</u>

PRINCE RUPERT LEGACY INC.

STATEMENT OF INCOME

YEAR ENDED DECEMBER 31

	2016	2015
	\$	\$
INCOME		
Interest	<u>224,120</u>	<u>148,560</u>
 EXPENSES		
Office and sundry	-	33
Professional services	10,531	44,543
Property taxes	<u>324,965</u>	<u>13,193</u>
	<u>335,496</u>	<u>57,769</u>
 NET INCOME (LOSS)	<u>-111,376</u>	<u>90,791</u>

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

	2016	2015
	\$	\$
OPERATING ACTIVITIES		
Net income (loss)	-111,376	90,791
Accounts receivable	-4,882	9,953,736
Loans	-1,191,054	-
Accounts payable and accruals	<u>-513</u>	<u>-395,252</u>
	<u>-1,307,825</u>	<u>9,649,275</u>
FINANCING ACTIVITIES		
Shareholder loan	750,000	2,752,483
Dividend	<u>-3,500,000</u>	<u>-2,750,000</u>
	<u>-2,750,000</u>	<u>2,483</u>
CHANGE IN CASH	-4,057,825	9,651,758
OPENING CASH BALANCE	<u>17,982,447</u>	<u>8,330,689</u>
CLOSING CASH BALANCE	<u>13,924,622</u>	<u>17,982,447</u>

PRINCE RUPERT LEGACY INC.

NOTES

DECEMBER 31, 2016

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.

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DECEMBER 31, 2016

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. \$ 583,373

\$16,054 due April 6 and October 6 each year with a final payment on April 6, 2031. 388,916

\$9,030 due June 20 and December 20 each year with a final payment on June 20, 2031. 218,765

Current portion 1,191,054
69,163

Non-current portion \$ 1,121,891

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

2017	\$ 69,163
2018	70,891
2019	72,663
2020	74,480
2021	<u>76,342</u>
	<u>\$ 363,539</u>

5. COMPARATIVES

Certain prior year figures have been restated for comparative purposes and to conform to current year presentation.