Consolidated Financial Statements

BRITISH COLUMBIA RAILWAY COMPANY

March 31, 2026

KPMG LLP
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of British Columbia Railway Company and the Minister of Transportation and Transit

Opinion

We have audited the consolidated financial statements of British Columbia Railway Company (the Entity), which comprise:

- the consolidated statement of financial position as at March 31, 2026
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at March 31, 2026, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS 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 auditor's report.

We are independent of the Entity 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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS 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 Entity'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 management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 the 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 Entity'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 Entity'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 Entity 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.
- 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada

May 14, 2026

BRITISH COLUMBIA RAILWAY COMPANY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2026
(in thousands of dollars)

	Note		2026		2025
ASSETS					
Current assets					
Cash and cash equivalents	*10*	**$**	**52,938**	$	41,314
Trade and other receivables	*11*		**3,795**		3,998
Materials and other items			**3,821**		4,259
Total current assets			**60,554**		49,571
Non-current assets					
Other receivables	*11*		**288,881**		276,516
Property, plant and equipment	*12*		**1,404**		1,688
Investment property	*14*		**108,702**		129,636
Total non-current assets			**398,987**		407,840
Total assets		**$**	**459,541**	$	457,411
LIABILITIES AND SHAREHOLDER'S EQUITY					
Current liabilities					
Trade and other payables	*15*	**$**	**2,060**	$	1,714
Deferred lease revenue	*17*		**1,390**		1,833
Total current liabilities			**3,450**		3,547
Non-current liabilities					
Lease liability	*16*		**549**		756
Deferred lease revenue	*17*		**19,601**		20,556
Provisions	*18*		**165,790**		180,791
Employee benefits	*19*		**3,257**		4,103
Total non-current liabilities			**189,197**		206,206
Total liabilities			**192,647**		209,753
Shareholder's equity					
Share capital	*20*		**257,688**		257,688
Contributed surplus			**41,225**		41,225
Deficit			**(32,019)**		(51,255)
Total shareholder's equity			**266,894**		247,658
Total liabilities and shareholder's equity		**$**	**459,541**	$	457,411

The accompanying notes on pages 5 to 29 are an integral part of these consolidated financial statements.

On behalf of the Board

Heather Ward

Director

BRITISH COLUMBIA RAILWAY COMPANY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED MARCH 31, 2026
(in thousands of dollars)

	Note		**2026**		**2025**
Revenue	*6*	**$**	**37,477**	$	38,585
Expenses					
Labour costs	*7, 19(c)*		**5,488**		4,939
Property and track maintenance			**3,737**		3,315
Professional services			**1,500**		1,472
Information technology			**948**		1,072
Environmental costs (recovery)			**152**		(5,929)
Property taxes			**1,728**		1,713
Other			**1,063**		823
Depreciation	*8*		**681**		602
			15,297		8,007
Operating results before impairment provision			**22,180**		30,578
Provision for impairment of interest in mining rights	*13*		**-**		(18,308)
Results from operating activities			**22,180**		12,270
Finance income	*9*		**2,256**		2,405
Finance costs	*9*		**(6,213)**		(6,070)
Net finance costs			**(3,957)**		(3,665)
Net income			**18,223**		8,605
Other comprehensive income (loss)					
Defined benefit plan actuarial gain (loss) and gain (loss) on plan assets	*19(c)*		**988**		(49)
Post-employment benefit plan actuarial gain (loss)	*19(c)*		**25**		(97)
Other comprehensive gain (loss) for the year			**1,013**		(146)
Total comprehensive income for the year		**$**	**19,236**	$	8,459

The accompanying notes on pages 5 to 29 are an integral part of these consolidated financial statements.

BRITISH COLUMBIA RAILWAY COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2026
(in thousands of dollars)

	Note	2026	2025
Cash flows from (used in) operating activities			
Net income		$ 18,223	$ 8,605
Adjustments for:			
Provision for impairment of interest in mining rights	*13*	-	18,308
Depreciation	*8*	681	602
Amortization of deferred lease revenue		(1,175)	(1,175)
Accretion income on long-term notes receivable	*11(b)*	(971)	(917)
Pension benefit expense	*19(c)*	182	179
Unwind of discount on provisions	*9*	6,213	6,070
		23,153	31,672
Change in working capital	*24*	524	649
Change in general environmental provision	*18*	(8)	(6,140)
Change in long-term receivable for environmental services	*11(c)*	(9,075)	(8,598)
Change in Joint Capital Account receivable	*11(a)*	402	702
Change in post-employment benefit obligation		(15)	(15)
Net cash from operating activities		14,981	18,270
Cash flows used in investing activities			
Additions to property, plant, and equipment	*12*	(275)	(758)
Development costs on investment properties	*14*	(174)	(216)
Additions to Joint Capital Account assets	*11(a)*	(2,482)	(2,637)
Long-term Promissory Note issued	*11*	(239)	-
Net cash used in investing activities		(3,170)	(3,611)
Cash flows used in financing activities			
Lease repayments	*16*	(187)	(175)
Net cash used in financing activities		(187)	(175)
Net increase in cash and cash equivalents		11,624	14,484
Cash and cash equivalents, beginning of year		41,314	26,830
Cash and cash equivalents, end of year		$ 52,938	$ 41,314

The accompanying notes on pages 5 to 29 are an integral part of these consolidated financial statements.

BRITISH COLUMBIA RAILWAY COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(in thousands of dollars)

	Share Capital	Contributed Surplus	Deficit	Total Equity
Balance at April 1, 2024	**$ 257,688**	**$ 41,225**	**$ (59,714)**	**$ 239,199**
Total comprehensive income (loss) for the year				
Net income			8,605	8,605
Other comprehensive income (loss)				
Defined benefit plan actuarial loss and loss on plan assets			(49)	(49)
Post-employment benefit plan actuarial loss			(97)	(97)
Total other comprehensive loss	-	-	(146)	(146)
Total comprehensive income for the year	**-**	**-**	**8,459**	**8,459**
Balance at March 31, 2025	**$ 257,688**	**$ 41,225**	**$ (51,255)**	**$ 247,658**
Total comprehensive income (loss) for the year				
Net income			18,223	18,223
Other comprehensive income (loss)				
Defined benefit plan actuarial gain and gain on plan assets			988	988
Post-employment benefit plan actuarial gain			25	25
Total other comprehensive gain	-	-	1,013	1,013
Total comprehensive income for the year	**-**	**-**	**19,236**	**19,236**
Balance at March 31, 2026	**$ 257,688**	**$ 41,225**	**$ (32,019)**	**$ 266,894**

The accompanying notes on pages 5 to 29 are an integral part of these consolidated financial statements.

1. REPORTING ENTITY

British Columbia Railway Company ("BCRC" or the "Company") is a company domiciled in Canada. The address of the registered office is Suite 600 - 221 West Esplanade, North Vancouver, BC, V7M 3J3. It is incorporated under the *British Columbia Railway Act.* It is owned by the BC Transportation Financing Authority ("BCTFA"), a subsidiary of the Province of British Columbia (the "Province"), operating under the supervision of the Ministry of Transportation and Transit ("MoTT").

The consolidated financial statements of the Company as at and for the year ended March 31, 2026 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The Group has commercial and business activities conducted through its operating subsidiary, BCR Properties Ltd. ("BCRP"), spanning the business areas of real estate, railway and marine terminal management. The Group's primary mandate is to support and facilitate the safe and efficient movement of goods through BC's western trade corridor by providing consulting advice, acquiring and holding railway corridor and strategic port lands, and making related infrastructure investments for the Province.

The Company owns the former BC Rail right-of-way and railway track infrastructure and leases those assets to the Canadian National Railway Company ("CN") for the purposes of operating a freight railway. Consistent with the Province's interest in the western trade corridor, BCRC has retained ownership of the Port Subdivision ("Port Sub") operation, which provides open, neutral rail access to the port terminals at Roberts Bank and, through its subsidiary BCRP, has retained ownership of certain port-related lands.

Management has completed its assessment of the Group and has concluded that the Group has the ability to continue as a going concern.

The Group is exempt from Canadian federal and British Columbia provincial income taxes.

2. BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards (IFRSs).

The consolidated financial statements were authorized for issue by the Board of Directors on May 13, 2026.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Group's functional currency and the functional currency of all its subsidiaries.

d) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

2. BASIS OF PREPARATION (continued)

d) Use of estimates and judgements (continued)

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is included in the following notes:

Notes 4 and 5 – accounting for an arrangement containing a lease
Note 11(a) – lease classification

Information about assumptions and estimation uncertainties at March 31, 2025 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Note 18 – provisions

3. MATERIAL ACCOUNTING POLICIES

The material accounting policies that have been used in the preparation of these consolidated financial statements are summarized below. The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

a) Basis of consolidation

i) Subsidiaries
Subsidiaries are entities wholly owned and controlled by the Company. The only subsidiary of the Company is BCR Properties Ltd.

b) Financial statement presentation of expenses

The Group classifies the consolidated statement of comprehensive income using the nature of expense method, which classifies expenses according to their nature, such as labour costs or depreciation.

c) Financial instruments

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

i) Classification and measurement of financial assets and financial liabilities
Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost, fair value through other comprehensive income (“FVOCI”) – debt instrument, FVOCI – equity instrument, or fair value through profit or loss (“FVTPL”). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. MATERIAL ACCOUNTING POLICIES (continued)

c) Financial instruments (continued)

i) Classification and measurement of financial assets and financial liabilities (continued)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized costs or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to subsequent measurement of financial assets:

- Financial assets at FVTPL: these assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
- Financial assets at amortized cost: these assets are subsequently measured at amortized costs using the effective interest method. The amortized cost is reduced by impairment losses (see note 3(c)(*ii*)). Interest income and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
- Debt investments at FVOCI: these assets are subsequently measured at fair value. Interest income calculated using the effective interest method and impairment are recognized in profit or loss. Other net gains are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
- The following table shows the measurement categories under IFRS 9 for each class of the Group's financial assets and liabilities:

Classification under IFRS 9	
Financial Assets	
Cash and cash equivalents	Amortized cost
Trade and other receivables	Amortized cost
Other receivables	Amortized cost
Financial Liabilities	
Trade and other payables	Amortized cost

3. MATERIAL ACCOUNTING POLICIES (continued)

c) Financial instruments (continued)

ii) Impairment of financial assets

IFRS 9 uses an 'expected credit loss' ("ECL") model to assess the impairment of financial assets. The ECL model applies to financial assets measured at amortized cost. The financial assets at amortized cost consist of trade receivables and other receivables.

Under IFRS 9, loss allowances are measured on either of the following bases:

- *12-month ECLs*: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- *Lifetime ECLs*: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group has elected to measure loss allowances for financial assets at amortized cost at an amount equal to lifetime ECLs.

Measurement of ECLs is a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

d) Property, plant and equipment

i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

ii) Depreciation

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

- Port Sub equipment — 5 - 15 years
- computer equipment — 3 – 5 years
- leasehold improvements — 3 – 5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

3. MATERIAL ACCOUNTING POLICIES (continued)

e) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

i) Recognition and measurement
Items of investment property are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

Gains and losses on disposal of investment property are determined by comparing the proceeds from disposal with the carrying amount of the asset, and are recognized net in profit or loss.

ii) Subsequent costs
The cost of replacing a part of an item of investment property is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of investment property are recognized in profit or loss as incurred.

iii) Depreciation
Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of investment property, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

- buildings 30 - 40 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

f) Interest in mining rights

The Group's interest in mining rights is accounted for as exploration and evaluation assets.

Exploration and evaluation assets are tested for impairment when any of the following facts and circumstances exist:

i) the term of exploration license in the specific area of interest has expired or will expire in the near future and it is not expected to be renewed;

ii) substantive expenditure on further exploration for an evaluation of mineral resources in the specific area is not budgeted or planned;

3. MATERIAL ACCOUNTING POLICIES (continued)

f) Interest in mining rights (continued)

iii) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the decision was made to discontinue such activities in the specified area;

iv) sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

g) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the higher of its value in use and its fair value lest costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

h) Assets held for sale or for distribution to owners

Assets (or disposal groups) comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Assets (or disposal groups) that are expected to be distributed to the owners are classified as held for distribution to owners. In either case, in order for the assets to be reclassified, the asset (or disposal group) must be available for immediate sale or distribution in its present condition and its sale or distribution must be highly probable to complete within one year.

Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are re-measured in accordance with the Group's accounting policies. Thereafter the asset, or disposal group, is measured at the lower of its carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

i) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

<u>Site Restoration</u>

In accordance with the Group's environmental policy and applicable legal requirements, provisions for site restoration in respect of contaminated land and the related expenses are recognized when the land is contaminated. The provisions are recognized as non-current liabilities and are discounted to their present value based on expected future cash flows. Changes in estimates are dealt with on a prospective basis as they arise.

3. MATERIAL ACCOUNTING POLICIES (continued)

i) Provisions (continued)

A provision is also recognized for expected remediation or retirements costs associated with owned or leased property or equipment as a non-current liability with a corresponding asset. At each reporting date, the liability is re-measured in line with changes in discount rates and timing or amount of the costs to be incurred. Any changes in the liability are added to, or deducted from, the related asset, other than the unwinding of the discount which is recognized as a finance cost in profit or loss as it occurs. If the change in the liability results in a decrease in the liability that exceeds the carrying amount of the asset, the asset is written down to nil and the excess is recognized immediately in profit or loss

j) Employee benefits

i) Defined Benefit Plans

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

The Group recognizes actuarial gains and losses arising from post-employment defined benefit plans immediately in other comprehensive income.

ii) Other Long-Term Employee Benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognized in profit or loss in the period in which they arise.

3. MATERIAL ACCOUNTING POLICIES (continued)

k) Revenue

IFRS 15 provides a comprehensive framework for the recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the accounting standards for insurance contracts, financial instruments and lease contracts.

The majority of the Group's revenue is revenue from leasing arrangements, which is outside the scope of IFRS 15. Certain recoverable investment property expenses for common area costs are considered non-lease components and are within the scope of IFRS 15. The performance obligation for the operating cost recoveries is satisfied over time, which is generally the lease term.

Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control - at a point in time or over time - requires judgment.

The following revenues earned by the Group fall under the scope of IFRS 15:

(i) Joint Section Agreement - Port Subdivision operations and maintenance:
The Group operates and maintains a 37-kilometre track which connects three railways to the port terminal at Roberts Bank (the "Port Subdivision" operation). Revenue is earned on a cost-plus surcharge basis and the railways are charged based on their relative usage of the track each month. Revenue is earned over time as the services are performed.

(ii) Real estate sales:
Revenues, recorded as net gains, from the disposition of investment property is recognized at the point in time that the risks and rewards of ownership have been transferred, possession or title passes to the purchaser, and all material conditions of the sales contract have been met, and at which time all proceeds are received or collectability is reasonably assured.

l) Leases

IFRS 16 provides a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessors classify leases as finance or operating leases.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

i) Leases as lessee
The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits.

The lease term includes periods covered by an option to extend if the Group is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

3. MATERIAL ACCOUNTING POLICIES (continued)

l) Leases (continued)

i) Leases as lessee (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognized as an expense on a straight-line basis over the lease term.

ii) Leases as lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Payments made or received under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives are recognized as an integral part of the total lease expense / revenue, over the term of the lease. Contingent lease payments are accounted for in the period in which they are incurred.

The Group has applied the derecognition requirements in IFRS 9 with respect to finance lease modifications where there has been an increase in the scope of a lease, by adding one or more underlying assets, and where there has not been a commensurate increase in the consideration received.

m) Finance income and finance costs

Finance income comprises interest income on funds invested and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and impairment losses recognized on financial assets.

3. MATERIAL ACCOUNTING POLICIES (continued)

n) Future accounting standards

The following recent accounting pronouncements have not yet been adopted by the Group:

Presentation and Disclosure of Financial Statements (IFRS 18*)*

IFRS 18 will replace IAS 1, Presentation of Financial Statements and applies to annual reporting periods beginning on or after January 1, 2027. The new standard introduces the following new requirements:

- Entities are required to classify all income and expenses into five categories in the statement of earnings and comprehensive earnings, and including a newly defined operating profit subtotal.
- Management-defined performance measures are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cashflows when presenting operating cashflows under the indirect method. The Group is in the process of assessing the impact of the new standard on its consolidated statement of comprehensive income, the consolidated statement of cashflows and additional disclosures under management-defined performance measures. The Group is also assessing the impact of how information is grouped in the consolidated financial statements, including items currently labelled "other".

Other accounting standards

The following amendments are effective in future years but are not expected to have a material impact on the consolidated financial statements: Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7).

4. CN TRANSACTION

(a) In July 2004, BCRC and BCRP completed a transaction with CN pursuant to an agreement signed between the parties on November 25, 2003 (the "CN Transaction"). Under the terms of the agreement, CN assumed the Group's industrial freight railway business by purchasing the shares of BC Rail Ltd., the partnership interests of BC Rail Partnership, and railcars from a related entity (collectively "BC Rail").

(b) BCRC and BC Rail entered into a Revitalization Agreement which was assumed by CN. Under the agreement, BC Rail leased the railway right-of-way land, railbed assets, and related track infrastructure from BCRC under a long-term lease. BC Rail prepaid all lease payments under the Revitalization Agreement. The lease is being treated as a finance lease and all the related assets have been removed from the consolidated financial statements.

(c) Under the Revitalization Agreement, effective July 14, 2009 CN has the right to return certain segments of track to BCRC's control, for no proceeds; subject to specific legal and regulatory approvals. If segments are returned to BCRC, BCRC can retain, sell, or otherwise use the segment at its own discretion, or put the segment back to CN for $1. As at March 31, 2026, CN has not formally commenced any discontinuance process for the return of any segments of the main line.

(tabular amounts in thousands of dollars)

5. VANCOUVER WHARVES TRANSACTION

(a) In May 2007, BCRC and its subsidiaries, Vancouver Wharves Limited Partnership ("VWLP") and BCRP completed a transaction with Kinder Morgan ("KM") pursuant to an agreement signed on April 3, 2007. Under the terms of the agreement, KM took over the operations of VWLP's port terminal facility by acquiring certain operating assets from VWLP and signing a 40-year non-renewable prepaid operating lease with BCRP for the land upon which VWLP operates. The net proceeds from the lease are being recognized as deferred lease revenue (Note 17) and amortized to income on a straight-line basis over the term of the lease. In December 2019, Pembina Pipeline Corporation ("Pembina") purchased Kinder Morgan Canada Limited which included the assumption of the operating lease with BCRP.

(b) As part of the agreement, Pembina assumes responsibility to complete certain projects designed to prevent further off-site migration of contamination on the land during the lease and to remediate all site contamination at the end of the lease. The fair value of the remediation services at the date of the agreement was estimated at $14.0 million for off-site migration contamination projects and $27.1 million for the remediation and site restoration at the end of the lease.

As the Group retains ultimate responsibility for the remediation of the land, the site restoration and environmental obligations will continue to be reflected in the Group's consolidated financial statements (Note 18) until such time as management is satisfied that Pembina has completed the remediation work. As the value of the assumed obligations is considered to be part of the lease proceeds, an equivalent amount of lease revenue is recognized on a straight-line basis over the lease term (Note 11(c)). An annual assessment is made concerning Pembina's plans and progress towards completion of the remediation services. Any remediation performed in excess of revenue recognized will be reclassified to deferred revenue to ensure straight-line recognition over the lease term.

6. REVENUE

For the year ended March 31	Note	2026	2025
Investment property leasing revenue		**$ 19,419**	$ 17,998
Port Subdivision operating and maintenance services	(a)	**8,942**	8,254
Port Subdivision JCA privilege revenue	(a)	**9,116**	12,333
		$ 37,477	$ 38,585

a) Port Subdivision Joint Service Revenue

The Group operates and maintains the 37-kilometre track connecting three railways to the port terminal at Roberts Bank (the "Port Subdivision operation") and recovers its operating and maintenance costs for this service from the three user railways in proportion to each railway's use of the track each month.

The Group has also invested in railway assets for its Port Subdivision operation. Agreements between the Group and the three user railways require the Group to maintain a separate account of the invested costs (the "Joint Capital Account") as the costs will be reimbursed by the user railways in proportion to their use of the track at the time that the assets are retired or when the operation ceases to exist. The portion of the Joint Capital Account ("JCA") relating to land has been accounted for as an operating lease and included with investment property (Note 14) and the balance, accounted for as finance leases, is included in other assets as the Joint Capital Account Receivables (Note 11(a)) to be collected upon retirement or cessation of operations.

(tabular amounts in thousands of dollars)

6. REVENUE (continued)

The Group collects monthly lease payments ("JCA privilege revenue") from the user railways calculated at Canadian banks' prime rate plus 1% (as at April 1 of each year) on the balance of the JCA balance and based on each railway's proportionate use of the track each month.

7. LABOUR COSTS

For the year ended March 31	Note		2026		2025
Direct labour costs		**$**	**4,230**	$	3,978
Labour costs for contracted MoTT employees	*25*		**1,258**		961
		$	**5,488**	$	4,939

Direct labour costs include employee wages, dental and health benefits, RRSP contributions, and the annual expense related to the post-employment benefit plan and the defined benefit supplemental pension plan.

8. DEPRECIATION EXPENSE

For the year ended March 31	Note		2026		2025
Property, plant and equipment	*12*	**$**	**559**	$	421
Investment property	*14*		**122**		181
		$	**681**	$	602

9. FINANCE INCOME AND FINANCE COSTS

For the year ended March 31	Note		2026		2025
Interest on bank deposits		**$**	**81**	$	136
Interest on loans and receivables			**931**		864
Interest on money market instruments			**1,244**		1,405
Finance income			**2,256**		2,405
Unwind of discount on provision	*18*		**(6,213)**		(6,070)
Finance costs			**(6,213)**		(6,070)
Net finance costs recognized in profit or loss		**$**	**(3,957)**	$	(3,665)

(tabular amounts in thousands of dollars)

10. CASH AND CASH EQUIVALENTS

As at March 31		2026		2025
Cash	**$**	**3,655**	$	3,275
Money market instruments		**49,283**		38,039
	$	**52,938**	$	41,314

The Group's money market instruments are invested in a fund which invests in short-term Government of Canada treasury bills.

11. TRADE AND OTHER RECEIVABLES

As at March 31	*Note*		2026		2025
Trade receivables		**$**	**3,795**	$	3,998
Other receivables					
Joint Capital Account receivables	*(a)*		**147,897**		145,817
Long-term notes receivable from CN	*(b)*		**17,564**		16,593
Long-term receivable for environmental remediation services	*(c)*		**123,181**		114,106
Other long-term receivables			**239**		-
			288,881		276,516
		$	**292,676**	$	280,514
Current		**$**	**3,795**	$	3,998
Non-current			**288,881**		276,516
		$	**292,676**	$	280,514

(a) The Joint Capital Account receivables relate to long-term finance leases which will be repaid to the Group by the users of the railway in proportion to their use of the track when the assets are either retired or the operation ceases. The receivables bear interest at bank prime plus 1% which is paid monthly.

Because the annual lease payments are based on prime plus 1% as at April 1 of each year and it is not possible to forecast with any accuracy the rates applicable to the lease throughout the lease term, it is not possible to accurately calculate the future minimum lease payments for this lease. Therefore, the annual payments are recorded as JCA Privilege revenue through profit or loss as they become measurable and collectable.

(b) The long-term notes receivable from CN (Note 4) are non-interest bearing and due on July 12, 2094. The notes were initially recorded at fair value calculated based on the discounted cash flow using an implied interest rate of 5.75% and are accreted each year at 5.75% to their ultimate face value of $842 million.

(c) The long-term receivable for environmental remediation services relates to the Pembina lease for the Vancouver Wharves port terminal facility (Note 5). The receivable will be settled through the lessee's remediation performance at the end of the lease agreement. The value of the receivable at inception of the lease was based on the present value of the related remediation, using an implicit rate of interest of 4.6%. In each subsequent reporting period, the receivable balance is adjusted to reflect the time value of money at the current implicit rate of interest and for any changes to the expected future cost of remediation for which the receivable is being adjusted over the remaining term of the lease.

(tabular amounts in thousands of dollars)

12. PROPERTY, PLANT AND EQUIPMENT

	Equipment	Leasehold Improvements	Right-of-Use Asset	Total
COST			*Note 16(a)*	
Balance, April 1, 2024	$ 3,211	$ 262	$ 2,059	$ 5,532
Additions	758	-	-	758
Disposals	(43)	-	-	(43)
Balance, March 31, 2025	$ 3,926	$ 262	$ 2,059	$ 6,247
Additions	275	-	-	275
Balance, March 31, 2026	**$ 4,201**	**$ 262**	**$ 2,059**	**$ 6,522**
DEPRECIATION				
Balance, April 1, 2024	$ 2,912	$ 262	$ 1,007	$ 4,181
Disposals	(43)	-	-	(43)
Depreciation for the year	224	-	197	421
Balance, March 31, 2025	$ 3,093	$ 262	$ 1,204	$ 4,559
Depreciation for the year	362		197	559
Balance, March 31, 2026	**$ 3,455**	**$ 262**	**$ 1,401**	**$ 5,118**
CARRYING AMOUNTS				
At March 31, 2025	$ 833	$ -	$ 855	$ 1,688
At March 31, 2026	**$ 746**	**$ -**	**$ 658**	**$ 1,404**

13. INTEREST IN MINING RIGHTS

As at March 31	**2026**	**2025**
Carrying amount, April 1	**$ -**	$ 18,308
Impairment provision	**-**	(18,308)
Carrying amount, March 31	**$ -**	$ -

In May 2015, the Group acquired 61 coal licenses in the Klappan region of British Columbia from Fortune Minerals Ltd. and its joint venture partner POSCO Canada (together, the “vendors”). The purchase price of the coal licenses was $18.3 million and was financed by the Group’s cash reserves. The agreement provided the vendors an option to reacquire the coal licenses within a 10-year period from the acquisition date, for the same price, subject to certain conditions.

During the 2024 fiscal year, the Group assessed that the carrying value of the interest in mining rights was impaired and recorded and impairment provision of $18.3 million against the carrying value of the asset.

Effective December 1, 2025, the Company surrendered its interest in the mining licenses back to the Province. No gain or loss resulted from the surrender as the asset had a carrying value of nil due to the impairment provision recorded in the prior year.

(tabular amounts in thousands of dollars)

14. INVESTMENT PROPERTY

As at March 31	Note		2026		2025
COST					
Balance, beginning of year		$	134,900	$	127,282
Additions			174		216
Effect of change in estimated cost of remediation	*18*		(20,986)		7,402
Balance, end of year			114,088		134,900
DEPRECIATION					
Balance, beginning of year			5,264		5,083
Depreciation for the year			122		181
Balance, end of year			5,386		5,264
CARRYING AMOUNT, end of year		$	108,702	$	129,636

Investment property comprises a number of commercial properties that are leased to third parties with varying lease terms and conditions as well as vacant land. The estimated fair value of the investment property portfolio as at March 31, 2026 is $446 million (March 31, 2025 - $407 million).

There are no assets that meet the definition of assets available for sale or transfer as at March 31, 2026.

15. TRADE AND OTHER PAYABLES

As at March 31	Note		2026		2025
Trade payables		$	43	$	28
Lease payable	*16*		207		187
Other non-trade payables and accrued expenses			1,810		1,499
Total current		$	2,060	$	1,714

16. LEASES

a) Leases as lessee

The Group leases office space for its business premises for a 5-year term ending July 31, 2029.

The following table details the changes in lease obligations during the year:

As at March 31	Note		2026		2025
Balance, beginning of year		$	943	$	1,118
Payment of lease obligation			(230)		(227)
			713		891
Interest expense			43		52
Balance, end of year		$	756	$	943

(tabular amounts in thousands of dollars)

16. LEASES (continued)

a) Leases as lessee (continued)

As at March 31	*Note*		**2026**		2025
Current	*15*	**$**	**207**	$	187
Non-current			**549**		756
		$	**756**	$	943

The annual lease obligations for the next five years and thereafter are as follows:

2027		**241**
2028		**246**
2029		**251**
2030		**85**
2031 and thereafter		**-**
Total undiscounted lease obligations	**$**	**823**

b) Leases as lessor

The Group leases out certain investment property held under operating leases (Note 14) and assets under long-term finance leases (Note 11(a)). The future minimum lease payments under non-cancellable operating leases are as follows:

As at March 31		**2026**		**2025**
Less than 1 year	**$**	**8,411**	$	8,460
Between 1 and 5 years		**6,076**		12,182
More than 5 years		**3,840**		5,099
	$	**18,327**	$	25,741

The 40-year operating lease with Pembina (Note 5) and the CN Revitalization Agreement (Note 4) were prepaid therefore no future payments are included above for these leases. Total proceeds from the Pembina lease are amortized to income annually resulting in rental income in 2026 of $9.5 million (2025: $9.0 million). The CN lease is being treated as a finance lease; all related assets were removed from the consolidated financial statements and related gains and losses were recognized at the time of the transaction.

17. DEFERRED LEASE REVENUE

As at March 31		**2026**		**2025**
Pembina operating lease	**$**	**20,560**	$	21,463
Other investment property leases		**431**		926
		20,991		22,389
Less: current portion		**1,390**		1,833
	$	**19,601**	$	20,556

The Pembina lease portion consists primarily of the lease revenue from the 40-year lease of the Vancouver Wharves port terminal facility which has not yet been recognized in profit or loss (Note 5).

(tabular amounts in thousands of dollars)

18. PROVISIONS

As at March 31	Note	2026	2025
General Environmental	*(a)*		
Balance, beginning of year		**$ 3,259**	$ 9,619
Provisions used during the year		**(8)**	(22)
Provisions reversed during the year		**-**	(6,118)
Transfered to deferred lease revenue		**(220)**	(220)
Balance, end of year		**3,031**	3,259
Site Restoration	*(b)*		
Balance, beginning of year		**177,532**	164,060
Provisions made (reversed) during the year	*14*	**(20,986)**	7,402
Unwind of discount		**6,213**	6,070
Balance, end of year		**162,759**	177,532
Total Provisions		**$ 165,790**	$ 180,791

a) The general environmental provision consists of the estimated remediation costs required on the portfolio of real estate properties owned by the Group. The risk of environmental liability is inherent in the operation of the Group's business with respect to both current and past operations. As a result, the Group incurs costs, on an ongoing basis, associated with environmental regulatory compliance and clean-up requirements.

The Group has identified the costs to be incurred over the next several years, based on known information. However, ongoing efforts to identify potential environmental concerns associated with the Group's properties may lead to future environmental investigations, which may result in the identification of additional environmental costs and liabilities, the magnitude of which cannot be reasonably estimated.

b) The site restoration provision relates to the land upon which the Vancouver Wharves port terminal facility operates. While the obligation for restoring the site has been assumed by the lessee as part of the lease agreement (Note 5(b)), the Group retains ultimate responsibility for the obligation therefore the costs will continue to be reflected in these consolidated financial statements until such time as management is satisfied that the lessee has completed the remediation work.

Because of the long-term nature of the site restoration liability, the greatest uncertainty in estimating the provision is the costs that will ultimately be incurred. In particular, the Group has assumed that the site will be restored using technology and materials that are currently available. Based on these assumptions, as at March 31, 2026, the liability for retirement and remediation, after applying an inflation factor of 2.5% (2025 – 2.5%) and applying the discount rate noted below, is estimated to be approximately $162.8 million (March 31, 2025 - $177.5 million). The decrease to the provision during fiscal 2026 of $14.7 million was primarily as a result of an increase to the discount rate at March 31, 2026.

Management has assumed the following discount rates based on long-term Government of Canada Bond rates:

	2026	2025
Discount rate	**4.10%**	3.50%

(tabular amounts in thousands of dollars)

19. EMPLOYEE BENEFITS

	Pension Plan		Post-Employment Plan		Total	
As at March 31	**2026**	**2025**	**2026**	**2025**	**2026**	**2025**
Defined benefit obligation	**$ 17,539**	$ 18,498	**$ 891**	$ 931	**$ 18,430**	$ 19,429
Fair value of plan assets	**15,173**	15,326	**-**	-	**15,173**	15,326
Total employee benefit liability	**$ 2,366**	$ 3,172	**$ 891**	$ 931	**$ 3,257**	$ 4,103

The Group makes contributions to a registered retirement savings plan on behalf of its employees which are expensed as contributions are made.

The Group also provided a defined benefit supplemental pension plan (“Pension Plan”) for former executives and provides post-employment benefits (“Post-Employment Plan”) for current and retired employees upon retirement. The Pension Plan is a non-registered benefit plan. There are currently no active members accruing benefits in the Pension Plan. Pension benefits for all inactive members are frozen, except for adjustments for inflation before and after retirement. The Post-Employment Plan includes the reimbursement of certain medical costs after retirement.

The amounts presented in this note are actuarially determined projections based on management’s assumptions provided to the actuary. The Group’s actuary prepares annual valuations of the accrued benefit obligation at March 31. The most recent valuations of the Pension Plan and the Post-Employment Plan were conducted as at March 31, 2026. The Pension Plan assets are valued as at March 31 of each year, and the latest valuation of plan assets was March 31, 2026.

Both the Pension Plan and the Post-Employment Plan expose the Group to actuarial risks such as longevity risk, interest rate risk and market (investment) risk.

a) Funding

The Pension Plan is fully funded by the Group. The funding requirements are based on the pension fund’s actuarial measurement framework set out in the funding policies of the plan. The funding of the plan is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions above.

Employees are not required to contribute to the Pension Plan or the Post-Employment Plan. The Group expects to make no contributions to the Pension Plan and $64,000 in direct benefit payments to the Post-Employment Plan in fiscal 2027.

The Group made contributions to a registered retirement savings plan on behalf of its employees during the year of $252,000 (2025 - $247,000).

(tabular amounts in thousands of dollars)

19. EMPLOYEE BENEFITS (continued)

b) Movement in the net defined benefit liability

	Pension Plan		Post-Employment Plan	
As at March 31	**2026**	**2025**	**2026**	**2025**
Defined benefit obligation				
Balance, beginning of year	**$ (18,498)**	$ (18,576)	**$ (931)**	$ (849)
Included in profit or loss:				
Current service cost	**-**	-	**(18)**	(12)
Interest cost	**(812)**	(870)	**(41)**	(40)
	(812)	(870)	**(59)**	(52)
Included in OCI:				
Remeasurements gain (loss):				
Actuarial gain (loss) arising from:				
- financial assumptions	**771**	(540)	**37**	(30)
- experience adjustments	**(292)**	219	**(12)**	(67)
	479	(321)	**25**	(97)
Other:				
Benefits paid	**1,292**	1,269	**74**	67
	1,292	1,269	**74**	67
Balance, end of year	**$ (17,539)**	$ (18,498)	**$ (891)**	$ (931)
Fair value of plan assets				
Balance, beginning of year	**$ 15,326**	$ 15,632	**$ -**	$ -
Included in profit or loss:				
Interest income	**668**	727	**-**	-
Administrative expenses	**(38)**	(36)	**-**	-
	630	691	**-**	-
Included in OCI:				
Remeasurements gain:				
Gain on plan assets excluding interest income	**509**	272	**-**	-
	509	272	**-**	-
Other:				
Employer contributions	**-**	-	**74**	67
Benefits paid	**(1,292)**	(1,269)	**(74)**	(67)
	(1,292)	(1,269)	**-**	-
Balance, end of year	**$ 15,173**	$ 15,326	**$ -**	$ -
Net defined benefit liability	**$ (2,366)**	$ (3,172)	**$ (891)**	$ (931)

(tabular amounts in thousands of dollars)

19. EMPLOYEE BENEFITS (continued)

c) Gains (losses) recognized in statement of comprehensive income

For the year ended March 31	Pension Plan 2026	Pension Plan 2025	Post-Retirement Plan 2026	Post-Retirement Plan 2025
Expense recognized in profit or loss				
Defined benefit obligation	**$ 812**	$ 870	**$ 59**	$ 52
Fair value of plan assets	**(630)**	(691)	**-**	-
Expense recognized with labour costs	**$ 182**	$ 179	**$ 59**	$ 52
Gains (losses) recognized in other comprehensive income				
Defined benefit obligation	**$ 479**	$ (321)	**$ 25**	$ (97)
Fair value of plan assets	**509**	272	**-**	-
	$ 988	$ (49)	**$ 25**	$ (97)

d) Actuarial assumptions

The following were the principal actuarial assumptions as at the reporting date:

	Pension Plan 2026	Pension Plan 2025	Post-Employment Plan 2026	Post-Employment Plan 2025
Discount rate at end of year	**5.00%**	4.55%	**5.00%**	4.60%
Future pension growth	**2.00%**	2.00%	**N/A**	N/A
Inflation rate	**2.00%**	2.00%	**N/A**	N/A
Immediate health care trend rate	**N/A**	N/A	**5.47%**	5.57%
Ultimate heath care trend rate	**N/A**	N/A	**4.00%**	4.00%
Year ultimate rate reached	**N/A**	N/A	**2040**	2040

e) Plan assets

The plan assets for the Pension Plan comprise:

As at March 31	2026	2025
Cash & cash equivalents	**3%**	1%
Equity securities	**34%**	35%
Debt securities	**20%**	19%
Refundable Tax Account	**43%**	45%
Fair value of plan assets	**100%**	100%

The portfolio’s asset mix is reviewed periodically and may vary in the future.

(tabular amounts in thousands of dollars)

19. EMPLOYEE BENEFITS (continued)

f) Sensitivity analysis

The following table shows the effect on the defined benefit obligation of a 1% change in certain key assumptions at March 31, 2025:

	Defined Benefit Obligation Increase (Decrease)			
	Pension Plan		Post-Employment Plan	
1% Movement	Increase	Decrease	Increase	Decrease
Discount rate	$ (1,527)	$ 1,792	$ (110)	$ 138
Inflation rate / pension increase rate	1,721	(1,493)	N/A	N/A
Health care trend rate	N/A	N/A	126	(102)

20. SHARE CAPITAL

Authorized: 10,000,000 common shares with a par value of $100 each.

Issued and outstanding March 31, 2026 and March 31, 2025: 2,576,885 common shares held by the BCTFA (subsidiary of the Province).

21. FINANCIAL INSTRUMENTS

Risk management
In the normal course of business, the Group is exposed to various risks such as credit risk, interest rate risk, and liquidity risk. To manage these risks, the Group follows a financial risk management framework, which is monitored and approved by the Group's Board of Directors, with a goal of maintaining a strong financial position, optimizing earnings and free cash flow, financing its operations at an optimal cost of capital and preserving its liquidity. The Group does not currently use derivative financial instruments. At March 31, 2026, the Group did not have any derivative financial instruments outstanding (March 31, 2025 – nil).

a) Credit risk
In the normal course of business, the Group monitors the financial condition and credit limits of its customers and reviews the credit history of each new customer. To manage its credit risk, the Group's focus includes the active management of relationships with customers to ensure timely payments, and requiring increased financial security through guarantees or letters of credit.

Included in Other Receivables are the following significant items where the Group has exposure to credit risk:

- long-term Joint Capital Account receivables due from CN, Canadian Pacific Kansas City Limited ("CPKC Rail") and BNSF Railway Company (Note 11(a)) of $148 million (2025 - $146 million);
- long-term notes receivable from CN (Note 11(b)) of $18 million (2025 - $17 million); and
- long-term receivable for environmental remediation services from Pembina (Note 11(c)) of $123 million (2025 – $114 million).

21. FINANCIAL INSTRUMENTS (continued)
Risk management (continued)

b) Interest rate
The Group is exposed to interest rate risk, which is the risk that the fair value or future cash flows of a financial instrument will vary as a result of changes in market interest rates. Such risk exists in relation to the funded status of the Group's pension and post-retirement plans, its cash and cash equivalents, and Joint Capital Account ("JCA") receivables.

An increase of 25 bps to interest rates would increase net income and equity from cash and cash equivalents by $123,000 (2025 - $95,000) and from the JCA receivable by $370,000 (2025 - $365,000). A decrease of 25 bps would have the opposite effect. The pension plan investments are monitored by the board and management and managed by external pension fund managers.

c) Liquidity risk
The Group monitors and manages its cash requirements to ensure access to sufficient funds to meet operational and investing requirements. The Group pursues a financial policy framework with the goal of maintaining a strong financial position, by monitoring its current ratio, and free cash flow forecasts.

The Group's principal source of liquidity is cash generated from operations. The Group's primary uses of funds are for working capital requirements, as they come due, contractual obligations, capital expenditures, funding future environmental obligations, and other potential acquisitions. As such, the Group sets priorities on its uses of available funds based on short-term operational requirements, while keeping in mind its long-term contractual obligations and returning value to its shareholder.

Fair value of financial instruments
A number of the Group's accounting policies require the measurement of fair values. When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group uses the following methods and assumptions to estimate the fair value of each class of financial instruments for which the carrying amounts are included in the Consolidated Statement of Financial Position under the following captions:

(a) Cash and cash equivalents, trade accounts receivable, and trade and other payables:
The carrying amounts approximate fair value because of the short maturity of these instruments.

21. FINANCIAL INSTRUMENTS (continued)
Fair value of financial instruments (continued)

(b) Other assets:
  i) Joint Capital Account Receivables – these receivables generate interest at current market terms for instruments with similar terms and conditions, therefore the fair value approximates the carrying value.
  ii) Long-Term Note Receivable from CN – the estimated fair value of the notes as at March 31, 2026 is $13 million (March 31, 2025 – $14 million); The fair value is based on corporate bond yields of securities of equivalent risk, estimated to be 6.15% at March 31, 2026 (March 31, 2025 – 5.95%). Due to the unique terms and conditions of the notes however, there is a limited market or opportunity to readily dispose of these instruments.

All of the Group's other receivables are classified as level 2 of the fair value hierarchy.

Capital management
As a result of its ownership by the Province of British Columbia, the Group is not able to obtain financing through the issuance of new equity. All capital resources, both sustaining and growth or investment capital, must be generated out of operating cash flows or disposals of surplus property, or, where there is a shortfall, through debt.

The Group currently has no debt outstanding and is retaining surplus equity to fund operating costs. and disposition costs for non-port related and non-rail real estate properties.

The Group made no cash payments to the Province during the year from its contributed surplus (2025 - nil).

22. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Investment property
External, independent valuation companies, having appropriate recognized professional qualifications and recent experience in the location and category of property being valued, value the Group's investment property portfolio as required for property disposal purposes. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. For those properties not currently for sale, an internal assessment is performed.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Group and the lessee, the condition of the property (bare land, remediated), and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

(tabular amounts in thousands of dollars)

23. CONTINGENCIES

The Group is contingently liable with respect to pending litigation and claims arising in the normal course of business. As there are no significant claims outstanding, no provisions have been made. Claims are periodically reviewed and estimates are adjusted in the period that additional information becomes available.

24. CONSOLIDATED STATEMENT OF CASH FLOWS – SUPPLEMENTAL INFORMATION

The components of changes in non-cash working capital balances relating to operations are as follows:

For the year ended March 31	2026	2025
Accounts receivable	**$ 203**	$ (29)
Materials and other items	**438**	172
Accounts payable and accrued liabilities	**326**	261
Current portion of deferred revenue	**(443)**	245
	$ 524	$ 649

25. RELATED PARTIES

All transactions with the Province of BC and its ministries, agencies and Crown corporations occurred in the normal course of business and are at arm's length, which is representative of fair value, unless otherwise disclosed in these notes.

Key management personnel compensation
The Group has defined key management as management employees at the Vice-President level and above and members of the Board of Directors. In addition to their salaries, the Group also provides employment and post-employment benefits to executive officers, and contributes to an RRSP on their behalf.

Key management personnel compensation comprised:

For the year ended March 31	2026	2025
Short-term employee benefits	**$ 767**	$ 815
	$ 767	$ 815

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities. The related entities charged management fees to recover the related personnel costs in the reporting period.

(tabular amounts in thousands of dollars)

25. RELATED PARTIES (continued)

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

For the year ended March 31	*Note*		2026		2025
Employee Costs (a)	7	**$**	**1,258**	$	961
		$	**1,258**	$	961

(a) The Group received employee services from employees of MoTT.

The balance owing at March 31, 2026 to MoTT is $519,000 (March 31, 2025 - $252,000).

Other related party transactions
All outstanding balances with these related parties are to be settled in cash within 3 months of the reporting date. None of the balances are secured. During the fiscal year, there were no transactions or outstanding balances with BCTFA.

Other related party transactions have been disclosed elsewhere in the notes to the consolidated financial statements.