



PORT OF/DE
BELLEDUNE



BELLEDUNE...*Unlimited!*

2016 **ANNUAL REPORT**



TABLE OF CONTENTS

Board Committees 2016	1
Message from the Chairman of the Board of Directors	2
Message from the President & CEO	3
Five Growth Sectors	4
Six New Commodities	5
Belledune Port Authority Condensed Financial Statements	6
Management's Report	7
Report of the Independent Auditor on the Condensed Financial Statements	8
Condensed Statement of Operations and Comprehensive Income	9
Condensed Statement of Financial Position	10
Notes to the Condensed Financial Statements	12
2016 Highlights	16

BELLEDUNE PORT AUTHORITY

112 Shannon Drive
Belledune, New Brunswick E8G 2W2 Canada
Tel: 1.506.522.1200
Fax: 1.506.522.0803
info@portofbelledune.ca

www.portofbelledune.ca

**HUMAN RESOURCES &
COMPENSATION COMMITTEE**

Chair: Greg Riordon
(Interim) Paul Shannon
Barry Kyle
Jean Guy Dubé

AUDIT COMMITTEE

Chair: Alberta Buttimer
Paul Shannon
Greg Riordon

FINANCE COMMITTEE

Chair: Alberta Buttimer
Jean Guy Dubé
Danika Keeley
Greg Riordon

**LAW & GOVERNANCE
COMMITTEE**

Chair: Greg Riordon
Paul Shannon
Danika Keeley

DONATION COMMITTEE

Chair: Vacant
Barry Kyle
Paul Shannon



*From left to right – standing: Paul Shannon, Alberta Buttimer, Greg Riordon
From left to right – sitting: Denis Caron, Barry Kyle, Danika Keeley, Jean Guy Dubé*

Picture taken February 2017



02 MESSAGE FROM THE **CHAIRMAN OF THE BOARD OF DIRECTORS**



As Chairman of the Belledune Port Authority (BPA) Board of Directors, I am extremely pleased to report that in 2016, the Port made clear progress on a number of strategic fronts that laid the foundations for future growth in revenue, profitability and progression. Furthermore, our great liaison with both the federal and provincial government authorities over the years have allowed the BPA to significantly improve its infrastructure resulting in a major step forward in further developing its

strengths and capabilities. Therefore, I would like to also extend my sincere appreciation to the federal, provincial and local governments for their ongoing support and trust.

The Port of Belledune has not only met but exceeded its targets by more than 56.5% in 2016. With such a strong financial performance the Port will continue to build on its consistent and well-executed strategy. We persisted on our path as set forth in our business plan and we also assessed new potential business ventures, which could in turn provide a measure of prosperity and employment to Northern New Brunswick. It is clear that we continue to fulfill our strategic initiatives only with a highly skilled and dedicated workforce that is willing to go the extra mile for our clients.

Our management team, led by President & CEO, Denis Caron, has a clear focus along with a sound strategy for growth and an ever-improving customer experience. The strategy is working and we are growing stronger and better as a Port. As Board of Directors, we are united behind this strategy and have confidence in Denis and the Port's senior management team. Their steady leadership is a competitive advantage for the BPA.

Furthermore, I wish to extend a sincere thanks to all of the past and present members of the Board of Directors and CEO for their efforts on behalf of the Port throughout the year. The board is committed to good governance and this ingredient is essential to achieve its ambitions. We are fortunate to have it deeply ingrained in our work and processes.

By the same token, I say thank you to our Terminal Operators and all the Port's customers for their business and I extend a sincere thank you to all employees for their dedication and hard work in attaining another consecutive record year.

I am confident that with our proactive team, dynamic support network and strategic vision, we are well positioned to continue to build on our success in the coming years. Our focus for 2017 is unequivocal and unchanged – we expect 2017 to be a very exciting and productive year for the Port of Belledune and the wider region as we continue to steer a course that will be most beneficial to the port, our clients, our customers and the people of Northern New Brunswick.

Barry Kyle
Chairman of the Board of Directors



MESSAGE FROM THE **PRESIDENT & CEO**

03

As President & CEO of the Port of Belledune, I am extremely pleased to report on the activities and accomplishments for 2016. Armed with a new strategic direction that would enhance our capabilities, create new opportunities and encourage new development at the Port and for Northern New Brunswick, we were able to achieve and exceed our financial targets. Our net profits are in excess of \$2.3M with a 15.6% increase in tonnage handled as well as a 36.6% increase in vessels calling on the Port. Quite an impressive accomplishment! Our strategy was clear: understand each of our product lines and aggressively promote the competitive advantage of each. With a focused approach to clearly understand the needs of our tenants and opportunities in key sectors we have identified the necessary infrastructure to support growth and ensure ROI for all investments made. Another one of our priorities was also to increase public awareness about the importance of the Port. Thus, we have held many introductory meetings and given port tours to various community leaders and groups including our First Nation neighboring communities.

We certainly recognize and appreciate the valuable cooperation of our clients, all levels of government, our exemplary employees and our Board of Directors. It is equally a privilege to have the support of our neighboring communities as well as of our terminal operators: Glencore Canada-Brunswick Smelter, NB Power and Eastern Canada Stevedoring and we thank them for their unrelenting efforts to support our request, our customers and clients.

We are quite fortunate to live and work in a supportive, business-friendly community. In return, we support worthy endeavors in the region donating to groups and charitable events. Our donations/sponsorship policy provides for a maximum of 5% of our Net Income to be designated as donations to support our local communities; as such since 2007, the Port has donated and/or sponsored over \$840,000 within our region. This year, we have also committed to supporting the Chaleur Regional Hospital Foundation with a commitment of \$50,000 over the next 5 years towards their Excellence, a healthy investment! major fundraising campaign.

We can expect continued success in 2017 as we persist with our efforts to increase shipping while keeping costs down. Indeed, the future looks promising for the Port of Belledune. We have the right team, the right facilities and the rigor to attain new goals as we are Belledune... *Unlimited!*



Denis Caron
President & CEO



Five Growth Sectors!

As part of its diversification efforts, the Belledune Port Authority (BPA) adapted a new business development method with an increased focus on specific growth sectors. The objective behind this new strategic direction is to enhance the BPA's capabilities, create new opportunities and

encourage new development at the Port of Belledune and in Northern New Brunswick.

Did you know?

The majority of cargo handled by the Port of Belledune in 2016 fell under the energy sector in the amount of 1,620,187 MT!

The chart below illustrates examples of various commodities handled at the port and the sectors they fall within:

<p>Energy</p> <ul style="list-style-type: none"> Crude oil Natural gas Coal Bioenergy 	<p>Forestry</p> <ul style="list-style-type: none"> Wood pellets Wood chips Wood pulp Lumber 	<p>Mining & Minerals</p> <ul style="list-style-type: none"> Aggregates Lead Zinc Ores 	<p>Agriculture</p> <ul style="list-style-type: none"> Potash Fertilizer Perlite Peat moss 	<p>Modular</p> <ul style="list-style-type: none"> Generators Modular homes Trailers
--	--	--	--	---

With this focused approach to business development the BPA strives to be innovative, offer supply chain solutions and be a catalyst for growth in Northern New Brunswick.





6 *NEW* Commodities!

The Port of Belledune welcomed six new commodities in 2016, including bauxite, urea, limestone, mill scale, silica sand and road salt.

While bauxite, limestone, mill scale, silica sand and road salt all fall within the Mining & Minerals sector, urea falls within the Agricultural sector, and is used predominantly as a fertilizer. The Port of Belledune received a shipment of Urea in April, 2016 in the amount of 5,984 MT. The shipment came from Muuga, Estonia. Prior to 2016, the port received its last shipment of urea in 2006.

Over the course of the year, the port also welcomed 46,115 MT of Bauxite from New Amsterdam, Guyana, 36,731 MT of limestone from Lower Cove, Newfoundland, 7,183 MT of mill scale from Nanticoke, Ontario and 9,428 MT of silica sand from Long Pond, Newfoundland. In addition, the port also received its first five shipments of salt, three of which came from Pugwash Nova Scotia, one shipment from Magdalen Island, Quebec and another from Casablanca, Morocco totalling 67,915 MT of salt in 2016!

The BPA is very pleased to have welcomed these new commodities to the port and will continue their efforts to create new opportunities and encourage new development in an effort to sustain their success and enhance their capabilities.

BELLEDUNE PORT AUTHORITY CONDENSED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016



MANAGEMENT'S REPORT

The financial statements from which the accompanying condensed financial statements were summarized have been prepared in accordance with International Financial Reporting Standards by management, who is responsible for their integrity, objectivity and reliability. Management has exercised its judgement in selecting principles or methods which are most appropriate to Belledune Port Authority (the "Authority") and in making estimates where such judgement is required to determine the amount reported.

The Authority maintains systems of internal accounting and administrative controls that provide management with reasonable assurance that assets are safeguarded and reliable financial records are maintained. These systems include written policies and procedures and an organizational structure that segregates duties.

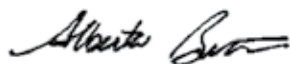
The Board of Directors is responsible for overseeing management in its financial reporting responsibilities and for approving the financial information included in the financial statements.

To assist the Board of Directors in meeting its responsibility, it has appointed an Audit Committee to oversee the financial reporting process on behalf of the Board of Directors. In order to carry out this responsibility, the Committee reviews the Authority's financial statements and gives its recommendations to the Board of Directors.

The Audit Committee also reviews any reports prepared by the Authority's auditor regarding the Authority's accounting policies and procedures, as well as its internal controls. The Audit Committee meets independently with management and the auditor to review the involvement of each in the financial reporting process and to review the independence of the auditor. These meetings also facilitate any private communication with the Audit Committee that is desired by either party.

This Committee also has the responsibility of recommending the appointment of the Authority's auditor, who is appointed annually by the Board of Directors.

March 23, 2017



Alberta Buttimer, CPA, CA

Chairperson, Audit Committee



Denis D. Caron

President & CEO

REPORT OF THE INDEPENDENT AUDITOR ON THE CONDENSED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF BELLEDUNE PORT AUTHORITY

The accompanying condensed financial statements, which comprise the condensed statement of financial position as at December 31, 2016, and the condensed statement of operations and comprehensive income for the year then ended, are derived from the audited financial statements of Belledune Port Authority as at December 31, 2016. We expressed an unmodified audit opinion on those financial statements in our report dated March 23, 2017.

The condensed financial statements do not contain all the disclosures required by International Financial Reporting Standards applied in the preparation of the audited financial statements of Belledune Port Authority. Reading the condensed financial statements, therefore, is not a substitute for reading the financial statements of Belledune Port Authority.

Management's responsibility for the financial statements

Management is responsible for the preparation of the condensed financial statements for the purpose of providing an overview of the financial affairs and resources of Belledune Port Authority.

Auditor's responsibility

Our responsibility is to express an opinion on the condensed financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS 810) "Engagements to Report on Summary Financial Statements".

Opinion

In our opinion, the condensed financial statements derived from the audited financial statements of Belledune Port Authority for the year ended December 31, 2016 are a fair summary of those financial statements on the basis described above.

Grant Thornton LLP
Chartered Professional Accountants

Moncton, New Brunswick

March 23, 2017

CONDENSED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

9

For the Year ended December 31

	2016	2015
Revenues		
Harbour services	\$ 2,159,237	\$ 1,875,673
Rentals	6,173,181	5,851,214
Shipping and other services	<u>2,619</u>	<u>505</u>
	<u>8,335,037</u>	<u>7,727,392</u>
Operating expenses		
Salaries and employee benefits	1,021,791	1,038,022
Maintenance and repairs	623,808	734,283
Professional fees and fees for consulting services	1,151,894	885,283
Depreciation	1,849,563	1,817,776
Gross revenue charge (Note 7)	170,375	157,848
Other operating expenses	<u>829,154</u>	<u>787,353</u>
	<u>5,646,585</u>	<u>5,420,565</u>
Earnings before interest expense and investment income	<u>2,688,452</u>	<u>2,306,827</u>
Interest expense and investment income		
Interest expense	(608,114)	(989,004)
Investment income	<u>183,712</u>	<u>161,244</u>
	<u>(424,402)</u>	<u>(827,760)</u>
Net income for the year before comprehensive income	<u>2,264,050</u>	<u>1,479,067</u>
Other comprehensive income		
Actuarial gain on defined benefit plan	<u>95,000</u>	<u>28,000</u>
Total net income and comprehensive income for the year	<u>\$ 2,359,050</u>	<u>\$ 1,507,067</u>

See accompanying notes to the condensed financial statements.

CONDENSED STATEMENT OF FINANCIAL POSITION

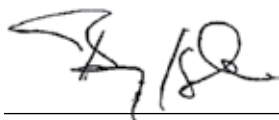
As at December 31	2016	2015
Current assets		
Cash and term deposits	\$ 12,350,272	\$ 9,050,739
Deposit (Note 3)	3,820,000	3,800,000
Accounts receivable	421,491	411,970
Prepaid expenses	96,447	111,750
Current portion of note receivable	34,609	33,254
	16,722,819	13,407,712
Non-current assets		
Note receivable	11,555	46,164
Accrued pension benefit asset	152,000	74,000
Guaranteed income certificate investments	-	1,033,000
Property and equipment (Note 4)	55,735,723	56,788,583
Other assets	86,024	84,637
Total assets	\$ 72,708,121	\$ 71,434,096
Current liabilities		
Accounts payable and accrued liabilities	\$ 942,721	\$ 1,022,421
Long-term debt due within one year (Note 6)	982,017	747,639
	1,924,738	1,770,060
Non-current liabilities		
Accrued employee benefits	212,244	196,716
Long-term debt (Note 6)	17,467,647	18,742,878
Deferred revenue (Note 3)	3,820,000	3,800,000
	23,424,629	24,509,654
Equity		
Contributed surplus	22,278,564	22,278,564
Other comprehensive income	135,000	40,000
Surplus	26,869,928	24,605,878
	49,283,492	46,924,442
Total liabilities & equity	\$ 72,708,121	\$ 71,434,096

Commitments (Note 7)

CONDENSED STATEMENT OF FINANCIAL POSITION

11

On behalf of the Board of Directors



Chairman of the Board



President & CEO



Chairperson of the Audit Committee

See accompanying notes to the condensed financial statements.

1. Nature of operations

The Belledune Port Authority (the "Authority") was established under the Canada Marine Act to administer, manage and control Belledune harbour, as well as the Federal property and equipment transferred by the Governor in Council. The Authority is named in Part 2 of the Schedule within the Canada Marine Act. The Authority operates on a commercial basis and is mandated to be financially self-sufficient.

The Authorities registered and principal office is located at 112 Shannon Drive, Belledune, New Brunswick, Canada.

2. Summary of significant accounting policies

Property and equipment

Property and equipment are recorded at historical cost less accumulated amortization and any impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition or construction of the assets, including borrowing costs relating to the acquisition or construction.

Amortization is calculated on the straight-line basis for the full year, commencing with the year the asset becomes available for use, using rates based on the estimated useful lives of the assets.

Dredging	40 years
Berthing structures	32, 38 and 40 years
Buildings	10, 37 and 40 years
Utilities	10, 19, 20, 29 and 30 years
Roads and surfaces	10, 20 and 30 years
Machinery and equipment	3, 5 and 10 years
Furniture and fixtures	3 and 5 years

Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate. Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in earnings within other income or other expenses.

Projects under construction are transferred to property and equipment when the asset is available for use and amortization commences at that time.

Payment in lieu of real property taxes

Payments are estimated by the Province of New Brunswick in accordance with the Payment in Lieu of Taxes Act, and are paid for by the Authority each year by the due date specified. Charges are expensed in the current year's financial statements based on the amounts billed to the Authority.

Revenue recognition

Revenue is recognized at the fair value of the consideration received or receivable. Revenue is recognized when it is probable that the economic benefits will flow to the Authority, delivery has occurred, the amount is fixed or determinable and when collectability is reasonably assured. The Authority recognizes rental income using a straight-line method over the term of the lease.

Pension benefits

The Authority provides post-employment benefits through a defined contribution plan for all employees, except one employee who is included in the Public Service Superannuation Plan which is a federally registered defined benefit final average salary pension plan.

The cost of pension benefits for defined contribution pension plans are expensed at the time active employees are compensated.

The defined benefit plan sponsored by the Authority determines the amount of pension benefits the employee will receive on retirement by reference to length of service and salary levels. Obligations associated with the defined benefit plan reside with the Authority, even if plan assets for funding the plan are set aside.

The liability recognized in the statement of financial position for the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date, less the fair value of plan assets. The assets do not include the Authority's own financial instruments or any property occupied or used by the entity.

Management estimates the defined benefit obligation annually with assistance from an independent actuary using the projected benefit method prorated on service. The defined benefit obligation uses estimates for inflation, mortality and anticipates salary levels. The discount factor used to present value estimated future cash flows is determined with reference to high quality Canadian corporate fixed income investments. The expected rate of return on assets is based on the expected rate of return on each asset class category using a stochastic projection tool that generates multiple expected return scenarios over long periods of time for different asset classes. Expected fees payable by the plan are not deducted from this expected rate of return.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to other comprehensive income in the period in which they arise. Past service costs are recognized immediately into earnings.

3. Deposit

The Authority received deposits related to a potential future transaction which the Authority anticipates completing in 2017. As a result of the deposit, deferred revenue of the same amount has been recorded.

4. Property and Equipment

			2016	2015
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Lands	\$ 16,878,733	\$ -	\$ 16,878,733	\$ 16,863,875
Dredging	10,258,466	4,540,676	5,717,790	5,974,251
Berthing Structures	35,197,604	16,143,501	19,054,102	19,437,429
Buildings	14,308,610	3,559,012	10,749,598	11,154,244
Utilities	6,716,898	4,683,122	2,033,776	2,234,688
Roads & Surfaces	3,770,284	3,127,314	642,969	631,199
Machinery & Equipment	890,879	639,991	250,888	221,308
Furniture & Fixtures	224,275	181,201	43,075	57,918
Projects under Construction	364,792	-	364,792	213,671
	<u>\$ 88,610,542</u>	<u>\$ 32,874,818</u>	<u>\$ 55,735,723</u>	<u>\$ 56,788,583</u>

5. Economic dependence

Approximately 49% (2015 - 53%) of the Authority's revenue is derived from N.B. Power Corporation. The contract with NB Power

Corporation for rental revenue ends on March 31, 2023, with an additional renewal term of 10 years ending on March 31, 2033.

6. Long-term debt

Bank loans, bearing interest at 2.18%, repayable in equal monthly instalments of \$81,957 and \$28,750 principal and interest, maturing in April 2021.

\$ 16,342,285 \$ 17,372,762

ACOA Provisionally Repayable Contribution, non-interest bearing, repayable based on average occupancy level. The amounts due to the Agency will be calculated as follows:

Occupancy level less than 30% – the annual payment is \$Nil.

Occupancy level 30% to 50% – the annual payment is \$100,000.

Occupancy level greater than 50% - the annual payment is \$320,000.

2,780,000 2,780,000

Imputed interest adjustment for non-market rate loan, imputed interest calculation is based on the assumption that the Authority will have an occupancy level greater than 50% each year using a discount rate of 4%.

(672,621) (662,245)

18,449,664 19,490,517

Less: amount due within one year

982,017 747,639

\$ 17,467,647 \$ 18,742,878

Principal repayments of long-term debt in the next five years will be as follows:

2017	\$ 982,017
2018	1,003,640
2019	1,345,739
2020	1,147,526
2021	1,170,689

7. Commitments

Gross revenue charge

In order to maintain the Letters Patent in good standing, the Authority shall pay annually to the Minister of Transport a charge calculated on gross revenue.

The Authority has entered into an operating lease agreement for office equipment for the next three years, requiring future lease payments totalling \$2,700 (2015 - \$2,700) over the next year.



Going Forward

**Collaboration with Regional Leaders and Stakeholders**

In 2016, the Belledune Port Authority attracted officials from the Acadian Peninsula, Restigouche and the Chaleur region to the Port of Belledune. The Port also welcomed members from all five First Nation communities within the immediate Bay of Chaleur region including Pabineau, Eel River, Listuguj, Gesgapegiag and Gespeg.

The goal of these gatherings is to increase awareness among the Port's stakeholders as well as discuss its values and economic contributions to the region. The BPA strongly believes that in order to create meaningful relationships, it is important that the communities know who the Port of Belledune is, what it does and become familiar with the future plans.

Going forward, the BPA will continue to be diligent in its efforts to collaborate with regional leaders and stakeholders and ensure the Port of Belledune is recognized as the **port of the region**.

Supporting the community

As a proud member of the community, the BPA is honored to be anchored in the region by supporting local initiatives, associations and events through participation, involvement and sponsorship.

In 2016 alone, the Port of Belledune donated more than \$75,000 within Northern New Brunswick!

The BPA encourages local associations and initiatives to submit a request for a donation from the Port by visiting the Port's website at the following link: <http://www.portofbelledune.ca/anchored.php>

Being anchored in the community and having the support of our neighbors is a privilege the BPA is very proud to have!

