

ANNUAL REPORT
2018



PORT OF/DE
BELLEDUNE



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HUMAN RESOURCES & COMPENSATION COMMITTEE

Chair: Paul Shannon
Danika Keeley
Iris Auclair-Bernard
Alberta Buttimer

AUDIT COMMITTEE

Chair: Alberta Buttimer
Luc Roy
Iris Auclair-Bernard
Lucien Sonier

FINANCE COMMITTEE

Chair: Alberta Buttimer
Danika Keeley
Lucien Sonier
Paul Shannon

LAW & GOVERNANCE COMMITTEE

Chair: Luc Roy
Lucien Sonier
Iris Auclair-Bernard

DONATION COMMITTEE

Chair: Paul Shannon
Danika Keeley
Luc Roy
Iris Auclair-Bernard



*From left to right – standing: Luc Roy, Iris Auclair-Bernard, Alberta Buttimer, Lucien Sonier
From left to right – sitting: Paul Shannon, Danika Keeley, Denis Caron*

MESSAGE FROM THE CHAIR OF THE BOARD OF DIRECTORS



Danika Keeley

Chair of the Board of Directors

I would like to begin by acknowledging that the land on which the Belledune Port Authority is situated is the traditional and unceded territory of the Mi'gmaq people.

The year 2018 marked a very important milestone for the Port of Belledune as we celebrated our 50th Anniversary. The many community events and celebrations held afforded us a chance to reflect on our past and to reconnect with the great many people who contributed to making the BPA the economic driver it is today.

As Chair of the Belledune Port Authority, I am pleased to report another great year with \$2,973,974 in profit and 107 vessels visiting the Port. The long-standing traditions of hard work, careful planning and attention to the needs of our customers, continue to motivate our decision-making process. This winning formula, coupled with our focus on maintaining strong positive relationships with our valued stakeholders, delivered great results.

The performance of our Terminal Operators: Glencore Canada-Brunswick Smelter, NB Power and Eastern Canada Stevedoring—their teamwork approach and their consolidated efforts to finding efficiencies are cornerstones to our continued success. I thank them and our customers for their continued commitment to helping us leverage commerce and to drive prosperity in Northern New Brunswick.

Spearheading these extraordinary efforts on behalf of the BPA is a motivated team of employees. Led by President & CEO,

Denis Caron, their dedication and commitment to excellence is infectious. Every member of the team strives towards achieving the highest level of performance and this year was no exception. Owing to their talents, we were able to effectively achieve our commitments to being profitable and to continuing our presence as a responsible corporate citizen.

We remain committed to fostering more opportunities to develop meaningful relationships with First Nation neighbours, to minimizing our environmental impact and to supporting our community through participation and sponsorship of various community events. Adding to these commitments, this year we developed a scholarship policy designed to encourage students to further their education in trades and technical programs relating to port activities offered at the CCNB/NBCC location of their choice.

I am confident that I speak for all of us in stating that it is with great honor that we continue to serve as Directors of the BPA. We recognize that our mandate to oversee operations, set strategic objectives and uphold our core values are of paramount importance in promoting the Port in the best interest of Canada's trade objectives. Working with all levels of government, we will endeavor to seize every opportunity that meet our objective of creating lasting socioeconomic growth for today and for future generations. Looking forward to yet another successful 50 years as -"Belledune... Unlimited!"

MESSAGE FROM THE PRESIDENT & CEO

As I reflect on 2018, the year that closed out a half a century of operating, I cannot help but feel immense pride. This year saw record profits, diversification in our cargo offering, new partnerships and an increase in our tonnage. The Belledune Port Authority also celebrated its 50th birthday by welcoming our first female Chair of the Board of Directors – Danika Keeley. Ms. Keeley is a franchise developer with Dixie Lee (Maritimes) Ltd. and a former member of our Board of Directors. Her leadership and attention to detail has been a great addition to the development of our vision moving forward.

2018 brought us another historic first when the Belledune Port Authority signed a Relationship, Engagement and Consultation Protocol with eight of the nine Mi'gmaq First Nations in New Brunswick. The Port is located on unceded traditional Mi'gmaq land and we understand the impact our decisions have on the communities around us. To this end, we have put together a proactive approach to building a respectful and collaborative relationship when considering potential economic development projects. The Protocol includes steps and procedures for a standardized process for relationship building and engagement for potential clients seeking to conduct their business at the Port. Co-owned by the Port and the First Nations communities, the Protocol provides steps for a practical, transparent and respectful approach to engagement, consultation and accommodation, where appropriate.

This year was also one of strategic planning and opportunity seeking. Our strategic plan for growth looks to significantly increase cargo volumes over the next five years. We are currently writing, reviewing and getting ready to implement a Master Development Plan and a Land Use Plan for the Port. A very important part of these plans are our strategic partnerships with our tenants. We work alongside our tenants to increase their business, which in turn increases our revenue. We are uniquely positioned to leverage existing relationships and contracts that Eastern Canada Stevedoring, NB Power and Glencore have in the world. It is through our collaborative approach that we have seen consistent increases in tonnage and revenue year over year.

The Port is positioned to a very important part of Canada's access to global markets. Our strategic direction focuses on five sectors – Energy, Forestry, Mining and Minerals, Agriculture and Modular. Through these sectors, the Belledune Port Authority has put considerable focus on creating new opportunities and new development at the Port. This includes understanding the needs of our tenants, identifying the proper infrastructure for growth and encouraging investment and partnerships to further business opportunities.

We also continue to be an active member of the region, giving back 5% of our Net Income annually to surrounding communities and entities through donations and sponsorships hitting the \$1M mark.

This Annual Report sets out a number of other key objectives that we pursued during the year. All of this work could not have been completed without the ongoing support of our dedicated Board of Directors. We are also fortunate to have the support of our partners/tenants: Glencore Canada-Brunswick Smelter, NB Power and Eastern Canada Stevedoring. We appreciate their unrelenting efforts supporting our needs and the needs of our clients. Finally, I would like to acknowledge our staff. Your contributions matter to the Belledune Port Authority. I often think of a quote by Herbert V. Prochnow, "The trouble with opportunity is that it always comes disguised as hard work". I know the opportunities we turn into success are due to our collective hard work and I thank you, for all that you have done.

We are embarking upon a new chapter; one filled with change, positivity, challenges and hope. We are positioned to become the Atlantic Port of Choice for many and with the team we have, I truly believe that dream could be a reality in the short term. I've said it before and I'll say it again, the future looks promising for the Port of Belledune, so let's continue to improve as we Imagine, Believe and Execute our goals as "Belledune...Unlimited!"



Denis Caron
President & CEO

BELLEDUNE PORT AUTHORITY
CONDENSED FINANCIAL
STATEMENTS



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 28, 2019



Alberta Buttimer, CPA, CA
Chair, Audit Committee



Denis D. Caron
President & CEO

INDEPENDENT AUDITOR'S REPORT



To the Board of Directors of Belledune Port Authority

Opinion

The condensed financial statements, which comprise the condensed statement of financial position as at December 31, 2018, the condensed statement of operations and comprehensive income for the year then ended, and related notes, are derived from the audited financial statements of Belledune Port Authority for the year ended December 31, 2018.

In our opinion, the accompanying condensed financial statements are a fair summary of the audited financial statements on the basis described in Note 2.

Condensed Financial Statements

The condensed financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the condensed financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon. The condensed financial statements and the audited financial statements do not reflect the effects

of events that occurred subsequent to the date of our report on the audited financial statements.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated March 28, 2019.

Management's Responsibility for the Condensed Financial Statements

Management is responsible for the preparation of the condensed financial statements on the basis described in Note 2.

Auditor's Responsibility

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

Bathurst, New Brunswick
March 29, 2019

Grant Thornton LLP

Chartered Professional Accountants

CONDENSED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

For the year ended December 31	2018	2017
Revenues		
Harbour services	\$ 2,602,829	\$ 2,135,680
Rentals	6,333,004	6,276,670
Shipping and other services -	-	2,545
	<u>8,935,833</u>	<u>8,414,895</u>
Operating expenses		
Salaries and employee benefits	1,014,405	958,392
Maintenance and repairs	641,050	553,020
Professional fees and fees for consulting services	1,241,058	1,110,798
Depreciation	1,904,149	1,863,365
Gross revenue charge (Note 8)	184,340	172,623
Other operating expenses	863,706	849,661
	<u>5,848,708</u>	<u>5,507,859</u>
Earnings before interest expense and investment income	<u>3,087,125</u>	<u>2,907,036</u>
Interest expense and investment income		
Interest expense	(420,511)	(431,076)
Investment income	281,167	216,240
	<u>(139,344)</u>	<u>(214,836)</u>
Net income for the year before comprehensive income	2,947,781	2,692,200
Other comprehensive income		
Actuarial loss on defined benefit plan	(42,000)	(7,000)
Total net income and comprehensive income for the year	<u>\$ 2,905,781</u>	<u>\$ 2,685,200</u>

See accompanying notes to the condensed financial statements

CONDENSED FINANCIAL STATEMENT



As at December 31	2018	2017
Current assets		
Cash and term deposits	\$ 14,347,960	\$ 12,983,377
Accounts receivable	303,666	423,177
Prepaid expenses	183,852	168,660
Current portion of note receivable	-	10,446
	<u>14,835,478</u>	<u>13,585,660</u>
Non-current assets		
Accrued pension benefit asset	102,000	152,000
Deposit (Note 4)	3,860,000	3,840,000
Guaranteed income certificate investments 2,500,000 2,500,000		
Property and equipment (Note 5)	55,531,613	54,331,614
Other assets	-	58,297
	<u>61,993,613</u>	<u>60,881,911</u>
	<u>\$ 76,829,091</u>	<u>\$ 74,467,571</u>
Current liabilities		
Accounts payable and accrued liabilities	\$ 983,471	\$ 969,115
Long-term debt due within one year (Note 7)	1,345,807	1,003,640
Deferred revenue	310,849	-
	<u>2,640,127</u>	<u>1,972,755</u>
Non-current liabilities		
Accrued employee benefits	153,832	136,219
Long-term debt (Note 7)	15,300,659	16,549,905
Deferred revenue (Note 4)	3,860,000	3,840,000
	<u>21,954,618</u>	<u>22,498,879</u>
Equity		
Contributed surplus	22,278,564	22,278,564
Other comprehensive income	86,000	128,000
Surplus	32,509,909	29,562,128
	<u>54,874,473</u>	<u>51,968,692</u>
Total liabilities & equity	<u>\$ 76,829,091</u>	<u>\$ 74,467,571</u>

Economic dependence (Note 6)
Commitments (Note 8)



CONDENSED FINANCIAL STATEMENT

ANNUAL REPORT
2018

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On behalf of the Board of Directors

A handwritten signature in black ink, appearing to read "Derricka Kealey".

Chair of the Board of Directors

A handwritten signature in black ink, appearing to be a stylized set of initials.

President & CEO

A handwritten signature in black ink, appearing to read "Alvina Brown".

Chair of the Audit Committee

See accompanying notes to the condensed financial statements.

NOTES ON THE CONDENSED FINANCIAL STATEMENTS

December 31, 2018

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. Basis of presentation

The financial statements from which the condensed financial statements were summarized have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) that are in effect at the end of the reporting period. The Authority's significant accounting policies conform, in all material respects, to the recommendations of the IASB.

3. 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.

Wharf, dredging and berthing structures	32, 38 and 40 years
Buildings	10, 37 and 40 years
Utilities, roads and surfaces	10, 19, 20, 29 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.

3. Summary of significant accounting policies (continued)

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.

4. Deposit

The Authority received deposits related to a potential future transaction which the Authority anticipates completing beyond fiscal 2019. As a result of the deposit, deferred revenue of the same amount has been recognized.

NOTES ON THE CONDENSED FINANCIAL STATEMENTS



5. Property and Equipment (in thousands)

			2018	2017
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Lands	\$ 16,881	\$ -	\$ 16,881	\$ 16,881
Wharf, Berthing Structures and Dredging	45,456	22,843	22,613	23,693
Buildings	14,650	4,350	10,300	10,697
Utilities, Roads and Surfaces	11,854	8,467	3,387	2,375
Machinery & Equipment	1,298	982	316	248
Projects under Construction	2,035	-	2,035	438
	<u>\$ 92,174</u>	<u>\$ 36,642</u>	<u>\$ 55,532</u>	<u>\$ 54,532</u>

6. Economic dependence

Approximately 48% (2017 - 49%) 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.

7. Long-term debt

	2018	2017
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.	\$ 14,365,729	\$ 15,360,308
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% after 2019, using a discount rate of 3%.	(499,263) 16,646,466	(586,763) 17,553,545
Less: amount due within one year	1,345,807 \$ 15,300,659	1,003,640 \$ 16,549,905
Principal repayments of long-term debt in the next five years will be as follows:		
2019	\$ 1,345,807	
2020	1,147,528	
2021	1,179,399	
2022	1,194,990	
2023	1,119,101	

8. 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.

2018 HIGHLIGHTS A RECORD-BREAKING YEAR!



The year 2018 now holds the record-breaking title of most tonnage handled in one year at the Port of Belledune! The unprecedented amount was a whopping 2.9 million metric tonnes, or in other terms, the equivalent of 16,355

2.9 Mil. MT =  x 16,355

The Relationship, Engagement, & Consultation Protocol

On May 31st, 2018, the Port of Belledune along with eight of the First Nations communities in the area officially signed into action the Relationship, Engagement, and Consultation Protocol. As the Port of Belledune is situated on the unceded traditional land of the Mi'gmaq People, the port has undertaken the responsibility to consult and meaningfully engage with the First Nation neighbours for any project taking place at the Port. The Mi'gmaq are considered partners by the Port and the goal of the protocol is to continue to build positive relationships, work together to find solutions, and share knowledge to increase social responsibilities, environmental responsibilities, and economic prosperity in the region.



July 2018

Not only was 2018 the year with the most tonnage at the Port, but one month in particular now holds the title of most tonnage handled in a single month. July 2018 welcomed ships such as the Western Lucezia carrying perlite, and the Federal Caribou, as pictured here, carrying wood pellets. In total, there was 402,172 metric tonnes alone for the month of July. The previous month that held the record was in June of 2009, handling a total of 381,029 metric tonnes.

50 Years of Growth & Prosperity

The Port of Belledune also celebrated its 50th anniversary in 2018. Beginning operations in 1968 primarily for the, at the time, Normanda Smelter, the Port has come a long way in 50 years. Now possessing four fully functional terminals, a liquid bulk compound, freight stations and warehousing, and a modular fabrication facility, the Port has expanded tremendously in terms of commodities, clients, and projects handled.

The Port celebrated the anniversary in several ways throughout the year including a logo unveiling and kick off event, features in magazines and newspapers, a Family Day event highlighting a 50-year partnership with Brunswick Smelter, and the annual golf tournament highlighting a 20-year partnership with Quebec Stevedoring Ltd. – Eastern Division.



Captain Goodman: 20 Years

Also celebrated in the year 2018 was a valued and untiring BPA employee: Wynford Goodman. Wynford marked his milestone of 30-years of service to the marine industry, along with specifically 20-years of service working with the Port of Belledune.

A special dinner was held in June 2018 in Wynford's honour and he celebrated with friends, family, and colleagues.

Danika Keeley, First Woman Chair of the Board of Directors

Being the first woman to hold the position with the BPA, it was announced in July 2018 that Danika Keeley would be succeeding the position from the previous Chair of the Board, Barry Kyle. She had already had experience serving on the board as a director, but was ready to take on a different role. She brings with her knowledge and expertise in matters of business planning, financial management, human resources management, and fine-tuned marketing skills. She is helping and guiding the port to their goal of sustainable growth and being a key economic driver in the region.

