



BELLEDUNE...*Unlimited!*

2013 ANNUAL REPORT



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BELLEDUNE PORT AUTHORITY

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HUMAN RESOURCES & COMPENSATION COMMITTEE

Chair: Léo Cormier
 Barry Kyle
 Claude Doucet
 Jean Guy Dubé
 Greg Riordon

AUDIT COMMITTEE

Chair: Alberta Buttimer
 Former Chair: Albert Doucet
 Léo Cormier
 Paul Shannon
 Danika Keeley

FINANCE COMMITTEE

Chair: Alberta Buttimer
 Albert Doucet
 Claude Doucet
 Jean Guy Dubé
 Danika Keeley

LAW & GOVERNANCE COMMITTEE

Chair: Greg Riordon
 Former Chair: Harry H. Williamson
 Jean Guy Dubé
 Albert Doucet
 Paul Shannon
 Danika Keeley

DONATION COMMITTEE

Chair: Léo Cormier
 Former Chair: Claude Doucet
 Barry Kyle
 Léo Cormier
 Paul Shannon



*From left to right – standing: Albert Doucet, Greg Riordon, Alberta Buttimer, Danika Keeley, Léo Cormier, Paul Shannon, Jean Guy Dubé
 From left to right – sitting: Rayburn Doucett, Barry Kyle, Harry H. Williamson, Claude Doucet*



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



It is with great pride that I am able to report that the Port is celebrating another milestone achievement, its 9th consecutive year of record profits. Early in the year, the Belledune Port Authority faced many challenges including the expiry of several of its long-term contract agreements. The first with its stevedoring company, Eastern Canada Stevedoring, which is renowned for their exceptional flexibility and service; the second, with its major tenant – NB Power, Operator of Terminal 2, who also celebrated a 20 year partnership with the Port of Belledune in 2013 and yet another with Irving Oil, Operator of the liquid bulk storage tanks; all of which have been renewed demonstrating their continued support and commitment to the Port. For this, we are truly appreciative. I therefore commend the President & CEO and staff for successfully negotiating all of the above-mentioned agreements, thus securing the long-term viability of the Port. Furthermore, to attain a strong financial performance in the face of a global recession is a testament to the Port's vibrant operations, efficient marshalling of resources and excellent service – a remarkable achievement indeed!

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 developing its strengths and capabilities. Therefore, I would like to thank the federal, provincial and local governments for their ongoing support and trust.

Our role in the region is very important to us and we continuously seek to meet the highest levels of sound business ethics. Corporate responsibility is embedded in the daily business activities of our employees. We also strive to make important progress in social and environmental areas.

The past year has had its challenges and I am grateful for the continual efforts and commitment of our small team of employees who have once again contributed greatly in attaining another remarkable year. I especially thank our President & CEO, Rayburn Doucett whose experience, perseverance and total dedication to the Port of Belledune has without a doubt been the key ingredient to its success throughout the years.

I also wish to extend sincere thanks to all of the past and present Members of the Board for their efforts on behalf of the Port throughout the years. I particularly single out two former board chairpersons, Claude Doucet and Harry H. Williamson, whose terms have expired in 2013. I especially wish to thank them for their competence, dedication and time. Both have been "key players" in achieving our goals over the past nine years.

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 and 2014 is sure to be an exciting and productive year for the Port of Belledune and the wider region.

A handwritten signature in blue ink, appearing to read 'Barry Kyle'.

Barry Kyle
Chairman of the Board of Directors





MESSAGE FROM THE **PRESIDENT & CEO**

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The year 2013 was very successful in positioning the Port of Belledune to deal effectively with the realities and challenges of the coming years especially in the face of a lengthy global economic downturn. As President & CEO, I am extremely pleased to report that once again, the Port has met and exceeded its financial targets with net profits in excess of \$2M. This is due in no small part to the combined and focused cooperation of our clients, all levels of government, our employees, our Board of Directors and our terminal operators Glencore Canada Corporation – Brunswick Smelter, NB Power and Eastern Canada Stevedoring in their unrelenting efforts to support customers and clients.

The year 2013 marked a very important milestone for the Port of Belledune. During the year, we have successfully secured long-term contracts with Eastern Canada Stevedoring at Terminal 3, NB Power, Operator of Terminal 2, Irving Oil at our liquid bulk storage tanks and discussions are on-going with Terminal 1 Operator, Glencore Canada Corporation – Brunswick Smelter. Although continuing our efforts on retaining and expanding current business while seeking new clients, our focus will be actively discussing opportunities for diversifying its cargo base in bulk, break bulk and unitized cargoes. These new opportunities will provide for improved cargo throughput, jobs and related economic spin-off benefits throughout the region in the years ahead. We can expect continued success in 2014 as we persist with our efforts to increase shipping while keeping costs down. We are, for example, actively pursuing new markets for aggregates that are plentiful in this region and are of superior quality.

The Port Authority's policy is to be a good neighbor and friend to the surrounding communities. Our good neighbor activities are profiled in our CargoFlex News

publication called "Anchored in our Community". We also strive to be a good employer. We are very 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 such as Chaleur Regional Hospital Foundation Charity Golf Tournament; Skate for Heart, Heart and Stroke Foundation; The Spirit of Christmas; theatre; fun and fitness activities to name a few. The Port donated over \$80,000 to these endeavors in 2013.

And, we consider our most important asset our people; I would therefore like to thank all of the staff at the Belledune Port Authority who are focused on delivering results in a safe and responsible manner every day; our expert stevedoring services and shareholders who support us and share our vision for growth and finally, I would like to thank our past and present Board of Directors lead by Mr. Barry Kyle, who for the 4th consecutive year was named one of the TOP 50 CEOs in Atlantic Canada by Atlantic Business Magazine for their relentless efforts, dedication, inspiration and the continued support they provide to me and the entire management team.

Our plans to secure business in 2014 are exemplified by our slogan "*Belledune Unlimited*". We will go anywhere to get the business we seek and we will talk with as many people as is necessary to attract the business we need. We have the right team, the right facilities and the rigor to attain our goals.

The Port of Belledune is truly on the move!

Rayburn Doucett
President & CEO





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Fabrication, Assembly and Shipping – ALL AT THE PORT OF BELLEDUNE!

MQM Quality Manufacturing

In 2013, MQM Quality Manufacturing spent 6 months doing fabrication and assembly of what would become a stacker/reclaimer, in other words, building a very large piece of equipment. The stacker/reclaimer was built in stages from MQM's shop in Tracadie, NB and on an outdoor area on Terminal 4 at the Port.





Man Diesel & Turbo

MAN Diesel & Turbo was the first tenant in the Modular Fabrication Facilities at the Port of Belledune. In 2013, the proof of what was happening inside the facility was transported to the barge terminal (Terminal 4) at the Port where it was loaded onto a barge before heading to Nunavik, QC.



Projects like these do not happen without their challenges – MQM Quality Manufacturing and MAN Diesel & Turbo working directly at the Port of Belledune helped to mitigate some of their risks, ensure access to shipping facilities and allow them to ship final pieces by sea rather than many small components.

The Belledune Port Authority was pleased to have projects like these happen on Terminal 4 and at the Modular Fabrication Facility and welcomes future opportunities to work with MQM, MAN Diesel & Turbo as well as other similar companies in the region, in the province and throughout Atlantic Canada. By working together to create synergies, leverage the expertise of others and use the infrastructure available it is a sure path to success.



BELLEDUNE PORT AUTHORITY CONDENSED FINANCIAL STATEMENTS

DECEMBER 31, 2013



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 are 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.

February 27, 2014



Alberta Buttimer, CA
Chairman, Audit Committee



Rayburn Doucett
Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT

TO THE DIRECTORS OF BELLEDUNE PORT AUTHORITY

The accompanying condensed statement of financial position and condensed statement of operations and comprehensive income are derived from the complete audited financial statements of Belledune Port Authority as at December 31, 2013 and for the year then ended on which we expressed an opinion without reservation dated February 27, 2014.

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, 2013 are a fair summary of those financial statements on the basis described above.



Chartered Accountants

Moncton, New Brunswick

February 27, 2014

STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

For the Years ended
December 31

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	2013	2012
Revenues		
Harbour services	\$ 1,652,030	\$ 1,346,995
Rentals	6,393,685	7,074,649
Shipping and other services	17,072	20,896
	<u>8,062,787</u>	<u>8,442,540</u>
Operating expenses		
Salaries and employee benefits	909,459	860,908
Maintenance and repair	688,654	532,591
Professional fees and fees for consulting services	801,709	871,532
Depreciation	1,677,440	1,751,817
Gross revenue charge	158,231	170,782
Other operating expenses	852,370	955,729
	<u>5,087,863</u>	<u>5,143,359</u>
Earnings before interest expense and investment income	<u>2,974,924</u>	<u>3,299,181</u>
Interest expense and investment income		
Interest expense	(1,091,903)	(1,054,159)
Investment income	122,983	92,990
	<u>(968,920)</u>	<u>(961,169)</u>
Net income for the year before comprehensive income	<u>2,006,004</u>	<u>2,338,012</u>
Other comprehensive income		
Actuarial gain on defined benefit plan	87,000	29,000
Total net income and comprehensive income for the year	<u>\$ 2,093,004</u>	<u>\$ 2,367,012</u>

See accompanying notes to the financial statements.

STATEMENT OF FINANCIAL POSITION

As at December 31	2013	2012
Assets		
Current assets		
Cash and term deposits	\$ 7,599,306	\$ 6,427,622
Accounts receivable	456,044	787,932
Prepaid expenses	91,884	75,723
Current portion of note receivable	23,141	-
	8,170,375	7,291,277
Non-current assets		
Note receivable	108,686	-
Accrued pension benefit asset	41,000	-
Guaranteed income certificate investments	1,000,000	1,000,000
Property and equipment (Note 3)	58,153,765	57,306,745
Other asset	251,612	-
Total assets	\$ 67,725,438	\$ 65,598,022
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 2,643,877	\$ 1,123,784
Long-term debt due within one year (Note 6)	898,720	1,749,628
	3,542,597	2,873,412
Non-current liabilities		
Accrued employee benefits	182,505	160,992
Accrued pension benefit obligation	-	46,000
Long-term debt (Note 6)	20,428,329	21,038,615
Deferred revenue	10,144	10,144
Total liabilities	24,163,575	24,129,163
Equity		
Contributed surplus	22,278,564	22,278,564
Other comprehensive income	18,000	(69,000)
Surplus	21,265,299	19,259,295
Total equity	43,561,863	41,468,859
Total liabilities & equity	\$ 67,725,438	\$ 65,598,022

Commitments (Note 5)

On behalf of the Board of Directors,



Chairman of the Board



Chief Executive Officer



Chairman of the Audit Committee

See accompanying notes to the 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 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 taxes

Payments are estimated by the Authority in accordance with the Payments in Lieu of Taxes Act. Accruals are re-evaluated each year and charges, if any, are made in the current period's financial statements based on the best available information.

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the Year ended
December 31, 2013

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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 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. PROPERTY AND EQUIPMENT

			2013	2012
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Lands	\$ 16,863,875	\$ -	\$ 16,863,875	\$ 16,863,875
Dredging	10,351,052	3,775,605	6,575,447	6,821,603
Berthing Structures	33,294,319	13,729,615	19,564,704	20,220,914
Buildings	11,875,023	2,420,104	9,454,919	9,654,476
Utilities	6,726,893	4,090,382	2,636,512	2,837,424
Roads & Surfaces	3,462,130	2,868,877	593,253	667,141
Machinery & Equipment	679,738	439,378	240,360	214,031
Furniture & Fixtures	169,513	154,720	14,792	12,809
Projects under Construction	2,209,904	-	2,209,904	14,472
	<u>\$ 85,632,446</u>	<u>\$ 27,478,681</u>	<u>\$ 58,153,765</u>	<u>\$ 57,306,745</u>

4. ECONOMIC DEPENDENCE

Approximately 57% (2012 - 61%) of the Authority's rental revenue is derived from NB 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.

5. 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.

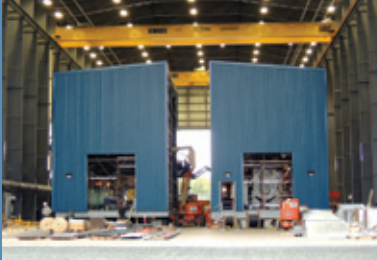
The Authority has entered into an operating lease agreement for office equipment requiring future lease payments totalling \$9,264 (2012 - \$15,956) over the next 2 years.

6. LONG-TERM DEBT

	2013	2012
Bank Loan, bearing interest at prime plus 0.25%, repayable in equal quarterly instalments of \$785,714 principal and interest, matured in March 2013.	\$ -	\$ 785,714
Bank Loan, \$14,344,107 bearing interest at 5.29% and \$5,062,935 bearing interest at 4.58%, repayable in equal quarterly instalments of \$305,584 and \$101,084 principal and interest, maturing in April 2016 and July 2016.	18,763,143	19,407,042
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. Any unpaid balance is forgiven after 15 years.	3,100,000	3,200,000
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%.	<u>(536,094)</u>	<u>(604,513)</u>
	21,327,049	22,788,243
Less: amount due within one year	<u>898,720</u>	<u>1,749,628</u>
	\$ 20,428,329	\$ 21,038,615

Principal repayments of long-term debt are in the next five years:

2014	\$ 898,720
2015	943,116
2016	987,258
2017	1,038,560
2018	1,084,788



MILESTONES

The Belledune Port Authority enjoys a rich history with many accomplishments in infrastructure development, community relations and shipping excellence; all of this is made possible by the loyalty and excellent partnerships the BPA has with its clients.

NB Power Celebrates 20 Years at the Port of Belledune



2013 marked **NB Power's** 20th year anniversary at the Port of Belledune! Over the past 20 years, NB Power has created opportunities in infrastructure development at the Port and has been a catalyst for growth in northern New Brunswick. Having shipped more than 22 million tonnes of cargo through the port, we are pleased to have NB Power as an anchor partner.



Milestones



Shaw Resources Celebrates 5 Years at the Port of Belledune



Shaw Resources has been shipping through the Port for 5 years as of 2013! When determining locations for expansion, Shaw chose Belledune based on the sawmill particle available, the port and the skilled workforce in the region. Ever since production began in 2008 Shaw has been consistently growing their business and has become an important shipper and an important part of the Port's plan to diversify its business.