



BELLEDUNE...*Unlimited!*

2011 ANNUAL REPORT



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BELLEDUNE PORT AUTHORITY

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HUMAN RESOURCES & COMPENSATION

Chair: Léo Cormier
Barry Kyle
Claude Doucet

AUDIT

Chair: Albert Doucet
Léo Cormier
Claude Doucet

FINANCE

Chair: Barry Kyle
Albert Doucet
Basile Chiasson
Claude Doucet

LAW & GOVERNANCE

Chair: Basile Chiasson
Harry H. Williamson
Claude Doucet

DONATION

Board: Claude Doucet



*From left to right – standing: Albert Doucet, Alberta Buttmer, Léo Cormier and Basile Chiasson.
From left to right – sitting: Rayburn Doucett, Barry Kyle, Harry H. Williamson and Claude Doucet.*

Picture taken January 2012



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



I am extremely pleased, as Chairman of the Belledune Port Authority Board of Directors, to report that the Port has been moving forward aggressively on many fronts to capitalize on solid growth opportunities while improving its operating efficiency. And, for the seventh consecutive year, the Port of Belledune continues to build on its consistent and well-executed strategy as it expands its global presence with a focus on core business.

The financial successes and many others are a testament to the fact that after 11 years in the industry, we continue to achieve greater heights. We have been able to do so thanks to our entrepreneurial integrity, innovative vision, fiscal responsibility and by building and maintaining strong, positive relationships. Our great liaison with both the Federal and Provincial government authorities has been instrumental in our success. As well, we recognize the contributions of our past Board Members & Staff who also had a desire to see the Port of Belledune succeed. So, in line with our sharpened strategic focus, together, we have been able to significantly improve our infrastructure resulting in a major step forward in developing our 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 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 as we strive to make essential progress in social and environmental areas. In 2011, the Port of Belledune has met and exceeded its strategic goals as well as its financial targets.

We share a core philosophy and a common vision for the future: it is one of prosperity, growth and global competitiveness, which underscores the region's skilled workforce and strategic location. In 2012 we will be unrelenting in our efforts to create attractive business opportunities in line with our core markets, as well as new opportunities which in turn generate a strong and vibrant regional economy.

I sincerely thank our past Chairman, Mr. Harry H. Williamson, for his great insight and support and also our President & CEO, Rayburn Doucett, for his perseverance and total dedication to the Port of Belledune as well as the Members of the Board of Directors for their most irrefutable support throughout the year. By the same token, I say thank you to all the Port's customers for their business and on behalf of the Board of Directors, I extend a sincere thank you to all employees for their dedication and hard work in attaining another consecutive profitable year.

We are very excited about the many new developments at our Port and the many opportunities these have created; and, as we look to the future, we continue to seek for new initiatives where we can continue to have a positive impact on our economy, our success and our vision as *Belledune Unlimited!*

Barry Kyle
Chairman of the Board



MESSAGE FROM THE **PRESIDENT & CEO**

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2011 will likely be remembered as a turning point for the Belledune Port Authority with the completion of a significant expansion program worth \$78.8 million which included the construction of two new terminals; a Roll-on/Roll-off terminal and another for barges built to attract a diverse range of cargo to further diversify the business at the port. Furthermore, a new modular component fabrication facility was completed along with the purchase of a 90,000 ft² building ideal for complementary services. Also, the Port acquired additional land which now totals 1600 acres; this represents even greater possibilities for future expansion. Long-term growth being the major theme underlying all our efforts. Therefore, as President & CEO of the Port of Belledune, I am extremely pleased to report on our activities and accomplishments for 2011.

Once again, the Port has met its financial targets with net profits of \$2.5M, and with the Port's vitals all remaining strong we saw total cargo tonnage of 2.089M tonnes handled and 105 vessels calling at the Port. The Port's success and profitability has relied on unwavering commitment to responsible practices, teamwork, solid planning and a genuine interest in offering superior services at competitive prices. I am especially appreciative of the support of our dedicated staff and Board of Directors, our government and business partners and our expert stevedoring services.

We are very fortunate to live and work in a supportive, business-friendly community. In return, we recognize worthy endeavors in the region by donating to groups and charitable events such as: The Relay for Life, Canadian Cancer Society, salmon enhancement programs, theatre, and assorted fun and fitness activities. The Port donated more than \$110,000 to these endeavors in 2011.

In conclusion, 2011 was a year full of change, progress, strengthening collaboration and growth. We welcomed new staff and a new Board Member, grew our infrastructure, created a plan to guide us, and have been building partnerships that will have a lasting and positive impact not only for our community but for the region as a whole. 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 all past and present Members of our Board of Directors, led by our Chairperson, Barry Kyle and past Chairperson, Harry H. Williamson, for their inspiration, guidance and support they have provided to me and the entire management team.

2012 will be a year of new milestones as we market our new infrastructure and continue to create opportunities for our communities and region. As we take the next steps, we'll maintain our innovative thinking, advance on our marketing strategies and welcome new partnerships with the Provincial and Federal Governments as we strive to enhance the prosperity of the local area and the region.

Together, we have built the solid foundation needed to continue to meet the challenges and reach new goals as "*Belledune... Unlimited!*"

Rayburn Doucett
President & CEO



INFRASTRUCTURE AND MODULAR FABRICATION PROJECTS COMPLETE!

INFRASTRUCTURE PROJECTS COMPLETE!



PRE-CONSTRUCTION: 2009

In June 2009, the Belledune Port Authority partnered with the Canadian Federal Government and the New Brunswick Government through a stimulus package to undertake major infrastructure projects at the Port of Belledune of over \$67 million dollars.

These infrastructure enhancements will allow the Port of Belledune to further diversify its cargo and be a full service port.

CONSTRUCTION PLAN

Over a two year period, from 2009 to 2011, the Belledune Port Authority would construct the following infrastructure and infrastructure improvements:

- Containment cells
- 27 acre lay-down/cargo storage area
- Infilling of cribs to complete Terminal 3
- Roll on-Roll off/Barge Terminal

MID-CONSTRUCTION: 2010

One year into construction, the changes at the Port of Belledune were already very evident; the containment cells were built (all three), the lay down area was started and the Roll on-Roll off/Barge Terminal had begun to take shape.

Although this project was a huge undertaking and a challenge for all involved, the developments were successfully progressing day by day.

CONSTRUCTION COMPLETE

2011 saw the completion of the infrastructure projects! Today, this ultra-modern, year-round port truly has unlimited potential and possibilities.

The Port of Belledune can now boast a brand new state-of-the-art Roll on-Roll off/Barge Terminal ideal for Short Sea Shipping, Arctic supply and shipping large, oversized cargo such as large modules.

Additionally, with the 27 acre lay down area complete adjacent to Terminal 3, the Port has ample room to grow, expand and increase shipping capacity as well as economic activity in northern New Brunswick.

MODULAR FABRICATION FACILITY COMPLETE!



In 2011, the BPA saw the completion of a project to build a Modular Fabrication facility at the Port of Belledune. The provincial and federal governments along with the BPA partnered to build a 40,000 square foot facility in 2010; the Northern New Brunswick Infrastructure Initiative contributed \$7 million, the Gateways and Border Crossings Fund contributed \$1.5 million, in addition to a \$3.2 million loan from ACOA toward the \$13.2 million dollar project.

The facility was built to facilitate Modular Fabrication becoming an industry in northern New Brunswick. The facility is owned by

the BPA and is intended to be leased to fabricators, engineering firms or project owners for the fabrication of large, oversized modules.

Modular fabrication is a safe and cost-effective alternative to field construction where buildings and other infrastructure are shipped to their destination fully-assembled and ready for use. The combined modular fabrication and components operation will allow for the construction of modules helping to create jobs and economic growth in New Brunswick.

BELLEDUNE PORT AUTHORITY SUMMARIZED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011



AUDIT COMMITTEE REPORT

The primary task of the Belledune Port Authority's (BPA) Audit Committee is to oversee the financial reporting process on behalf of the Board of Directors. In order to carry out this responsibility, the Committee reviews the BPA's financial statements and gives its recommendations to the Board of Directors.

The Audit Committee also reviews any reports prepared by the BPA's Auditor regarding the BPA'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 BPA's Auditor, who is appointed annually by the Board of Directors.



Albert Doucet
Chairman, Audit Committee

AUDITORS' MESSAGE

To the Board of Directors of Belledune Port Authority

The accompanying summarized statement of financial position and statement of operations and comprehensive income are derived from the complete financial statements of Belledune Port Authority as at December 31, 2011 and for the year then ended on which we expressed an opinion without reservation in our report dated May 2nd, 2012. The preparation of summarized financial statements from the complete financial statements is the responsibility of management.

These summarized financial statements do not contain all the disclosures required by International Financial Reporting Standards. Readers are cautioned that these statements may

not be appropriate for their purposes. For more information on the entity's financial position, results of operations and cash flows, reference should be made to the related complete financial statements.



ALLEN, PAQUET & ARSENEAU LLP
Bathurst, New Brunswick
May 2, 2012

STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME For the year ended December 31, 2011

	2011	2010
Revenues		
Harbour Services	\$ 1,405,116	\$ 1,497,874
Rentals	6,455,694	5,992,759
Shipping and Other Services	19,759	8,278
	<u>7,880,569</u>	<u>7,498,911</u>
Operating Expenses		
Salaries and Employee Benefits	722,921	508,113
Maintenance and Repairs	697,963	572,600
Professional Fees and Fees for Consulting Services	925,522	922,452
Amortization	1,458,891	1,362,553
Gross Revenue Charge	159,778	152,345
Other Operating Expenses	885,030	762,796
	<u>4,850,105</u>	<u>4,280,859</u>
Earnings Before Interest Expense and Investment Income	<u>3,030,464</u>	<u>3,218,052</u>
Interest Expense and Investment Income		
Interest Expense	(580,795)	(253,945)
Investment Income	108,319	118,635
	<u>(472,476)</u>	<u>(135,310)</u>
Net Income for the Year Before Comprehensive Income	2,557,988	3,082,742
Other Comprehensive Income (Loss)		
Actuarial Gain (Loss) on Defined Benefit Plan	(78,000)	19,000
Total Net Income and Comprehensive Income For The Year	<u>\$ 2,479,988</u>	<u>\$ 3,101,742</u>

See accompanying notes to the financial statements.

STATEMENT OF FINANCIAL POSITION As at December 31, 2011

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	2011	2010
Assets		
<u>Current Assets</u>		
Cash and Term Deposits	\$ 4,675,220	\$ 6,935,421
Account Receivables	2,349,202	5,611,629
Prepaid Expenses	58,486	171,727
	<hr/> 7,082,908	<hr/> 12,718,777
<u>Non-Current Assets</u>		
Property and Equipment (Note 3)	60,184,792	52,649,921
Total Assets	<hr/> \$ 67,267,700	<hr/> \$ 65,368,698
 Liabilities		
<u>Current Liabilities</u>		
Bank Advances	\$ -	\$ 16,470,576
Accounts Payable and Accrued Liabilities	2,009,684	5,061,016
Long Term Debt Due Within One Year (Note 4)	3,591,392	3,142,857
	<hr/> 5,601,076	<hr/> 24,674,449
<u>Non-Current Liabilities</u>		
Accrued Employee Benefits	158,233	133,055
Accrued Pension Benefit Obligation	76,000	4,000
Long Term Debt (Note 4)	22,323,781	3,928,572
Deferred Revenue	6,763	6,763
Total Liabilities	<hr/> 28,165,853	<hr/> 28,746,839
 Equity		
Contributed Surplus	22,278,564	22,278,564
Surplus, End of Year	16,823,283	14,343,295
Total Equity	<hr/> 39,101,847	<hr/> 36,621,859
Total Liabilities & Equity	<hr/> \$ 67,267,700	<hr/> \$ 65,368,698

1. NATURE OF OPERATIONS

The Belledune Port Authority was established under the Canada Marine Act to administer, manage and control Belledune harbour, as well as the property of Canada transferred by the Governor in Council. The Authority is named in Part 2 of the Schedule Canada Marine Act and is exempt from income tax.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use, are added to the cost of those assets.

Property and equipment

Grants, including forgivable loans, towards capital projects received from Canada and from third parties are deducted from the cost of the related assets.

Amortization is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, 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 fixture	3 and 5 years

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 Belledune Port Authority, delivery has occurred, the amount is fixed or determinable and when collectability is reasonably assured.

Pension costs

All permanent employees of the Authority are covered by the Canadian Airports Council and Harbour Board pension plan. The funds are held in trust by AON in two (2) different plans (Defined Benefits and Defined Contribution).

One (1) employee is a member of the Defined Benefits plan and the remaining employees are members of the Defined Contributions plan. The annual contributions for pensions are recognized in the accounts on a current basis.

Under IFRS the accrued pension benefit obligation is recognized in the statement of financial position.

Employee benefits

The Authority accrues in its accounts, annually, the estimated liabilities for severance pay and annual leave, which are payable to its employees in subsequent years in accordance with its policy.

3. PROPERTY AND EQUIPMENT

			2011	2010
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Lands	\$ 16,847,310	\$ -	\$ 16,847,310	\$ 8,258,921
Dredging	9,833,575	3,258,368	6,575,207	4,251,208
Berthing Structures	33,170,008	12,182,798	20,987,210	14,772,352
Buildings	7,349,651	1,819,060	5,530,591	5,738,739
Utilities	6,716,898	3,633,366	3,083,532	2,700,292
Roads & Surfaces	3,462,129	2,646,654	815,475	441,885
Machinery & Equipment	570,655	332,633	238,022	267,843
Furniture & Fixtures	237,096	229,845	7,251	23,293
Projects Under Construction	6,100,194	-	6,100,194	16,195,388
	\$ 84,287,516	\$ 24,102,724	\$ 60,184,792	\$ 52,649,921

4. LONG TERM DEBT

	2011	2010
Bank Loan, bearing interest at prime plus 0.25%, repayable in equal quarterly instalments of \$785,714 principal and interest, maturing in March 2013.	\$ 3,928,572	\$ 7,071,429
Bank Loan, \$14,791,378 bearing interest at 5.29% and \$5,228,959 bearing interest at 4.58%, repayable in equal quarterly instalments of \$305,584 and \$101,084 principal and interest, maturing in April 2031 and October 2031.	20,020,337	-
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 thirty percent – the annual payment is \$0. Occupancy level greater than fifty percent – the annual payment is \$100,000. Occupancy level greater than fifty percent – the annual payment is \$320,000. Any unpaid balance is forgiven after 15 years.	2,301,484	-
Imputed interest adjustment for non-market loan, imputed Interest calculation is based on the assumption that Belledune Port Authority will have an occupancy level greater than fifty percent each year using a discount rate of 4%.	(335,219)	-
	25,915,173	7,071,429
Less: Amount Due Within One Year	3,591,392	3,142,857
	\$ 22,323,781	\$ 3,928,572
Principal payments of long term debt are in the next five years:		
	2012	\$ 3,591,392
	2013	1,251,783
	2014	481,804
	2015	506,134
	2016	525,748

2011 HIGHLIGHTS



Rayburn Doucett, BPA's President & CEO was named one of **Atlantic Canada's Top 50 CEOs** for the **third consecutive year**

Barry Kyle, BPA's Chairman of the Board was inducted into the **New Brunswick Business Hall of Fame**



The BPA launched a **new look for the website** which attracted nearly **18,000 visitors** from around the world in 2011

Port of Belledune can now be seen on **YouTube!** Video clips of the Port of Belledune's infrastructure were put online in 2011



In 2011, BPA gave more than **\$110,000 in donations and sponsorships** supporting organizations and events in northern New Brunswick

Port of Belledune was awarded an **A+ security rating** from Transport Canada which set a standard for all other ports in Atlantic Canada; the Port of Belledune is **Atlantic Canada's leading port in port security**

