



PORT OF/DE
BELLEDUNE



BELLEDUNE...*Unlimited!*

2017 ANNUAL REPORT



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BELLEDUNE PORT AUTHORITY

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HUMAN RESOURCES & COMPENSATION COMMITTEE

Chair: Barry Kyle
Former Chair: Greg Riordon
Jean Guy Dubé
Paul Shannon

AUDIT COMMITTEE

Chair: Alberta Buttimer
Paul Shannon
Greg Riordon
Lucien Sonier

FINANCE COMMITTEE

Chair: Alberta Buttimer
Jean Guy Dubé
Danika Keeley
Greg Riordon
Lucien Sonier
Paul Shannon

LAW & GOVERNANCE COMMITTEE

Chair: Luc Roy
Former Chair: Greg Riordon
Paul Shannon
Danika Keeley
Lucien Sonier

DONATION COMMITTEE

Chair: Paul Shannon
Barry Kyle
Luc Roy



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

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 during 2017 we maintained our focus to improve traffic and revenues as well as build on new potential growth. The Port is also committed to minimizing its environmental impact by stringently adhering to all regulations and is therefore very proud to have joined force with Green Marine; the largest voluntary environmental certification program for the maritime industry in North America.

In 2017, the Port of Belledune has once again netted a profit of \$2,685,200. 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.

I take this opportunity to thank our management team, led by President & CEO, Denis Caron whose clear focus and sound strategy for growth is working and thus we are growing stronger and better as a Port. I also wish to extend a warm welcome to two new Board Members: Mr. Lucien Sonier and Mr. Luc Roy who bring considerable leadership and experience to our group and by the same token extend a sincere thank you to all of the past and present members for their efforts and continuous guidance and support. Together, we are committed to good governance and this ingredient is not only essential but deeply ingrained in our work and processes.

We are also indebted to our Terminal Operators and all the Port's customers for their sustained partnership and business and to all employees for their dedication and hard work in attaining another consecutive milestone year. It is also with great pride and honor that we welcome new partnerships with our First Nations communities; as we fully value and recognize that the Port of Belledune is situated on the traditional land of the Mi'gmaq people.

As we look to the year ahead, we remain committed to our customers, keeping abreast of changes and innovations and continuing to ignite ideas for potential business that push the boundaries of what is possible.

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 2018 is unequivocal and unchanged – we expect 2018 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, First Nation communities and the people of northern New Brunswick. 2018 also marks a milestone for the Port of Belledune as it celebrates its 50th Anniversary. We look forward to another exciting year of celebration and growth and, given that my term as Chair is nearing an end, it has been an extreme honor and a privilege to represent this world-renown first class facility knowing that it is still only the beginning for what we continue to believe is ***"Belledune-Unlimited!"***

A handwritten signature in black ink, appearing to read 'Barry Kyle', written in a cursive style.

Barry Kyle
Chairman of the Board of Directors





MESSAGE FROM THE **PRESIDENT & CEO**

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As we look back on an incredible year – one that included history-making partnerships, profit growth and infrastructure planning, it's clear that the Port of Belledune is poised to make its 50th year of operation a memorable one. In 2017, our team was able to sustain its volumes and revenues, resulting in an increase of 14% profit over 2016. This year also saw our product range diversify even more – we now work with clients who manage more than 24 different commodities. Our volume and traffic have increased since 2016 and our product mix continues to become more and more diversified.

We have always positioned this facility as an Anchor for Development and this year saw great strides in our ability to be an economic driver for the region. With a mandate for growth, coupled with a solid investment and partnership strategy, we have the potential to be a leader and motivator for the region's economic prosperity. The Belledune Port Authority has laid the groundwork for long-term success.

As much as we encourage the aggressive promotion of our competitive advantages in pursuit of increased volume and traffic, we do so with the mindset that the Port of Belledune is a responsible and respectful citizen of this land. This year the Port of Belledune made history. I am very proud to announce that the neighbouring Mi'gmaq communities have entered into an agreement with the Port which aims to revitalize northern New Brunswick's economy through the recognition of all stakeholder voices. We take our duty to consult seriously and this agreement is one of the first of its kind in Canada. Our work together will foster a long-term relationship based on good faith, transparency and respect through participation in Port-related business. This agreement ensures there is a protocol for consultation – forging a partnership for responsible economic development.

We know that the kind of growth and success we are capable of does not happen overnight. Instead we recognize that sustained effort over the long term will get the results we want. Our approach is to clearly understand the needs of our tenants and the possible synergies/opportunities in key sectors. Coupled with sound financial management, we have been and continue to be able to identify the right solutions to achieve steady, lasting results. Thanks to all levels

of government, our terminal operators and to our clients. Your cooperation, support and trust in our management is truly appreciated.

We also conduct our business understanding that we are an integral part of the social fabric of northern New Brunswick. Our investments are much more than just Port growth and profitability. We are positioned to produce higher standards of living and a better quality of life for those communities surrounding us. In doing so we continue to invest 5% of our Net Income annually into the surrounding communities through donations and sponsorships. This policy is an integral part of the Port's "DNA" and I am proud to say that since 2007 we have given back more than \$950,000 to the region.

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: Glencore Canada-Brunswick Smelter, NB Power and Eastern Canada Stevedoring. I appreciate their unrelenting efforts supporting our needs and the needs of our clients. Finally I would like to express my gratitude to all our employees whose achievements are the backbone of everything that Port of Belledune has accomplished during the year.

On the eve of our 50th anniversary, I believe 2017 was one of our most successful years to date – but I do believe the best is yet to come. Looking forward to 2018 – a celebration of 50 years – "Belledune...Unlimited!"

Please visit our website at www.portofbelledune.ca for exciting events as we celebrate and recognize our terminal operators, neighboring communities and clients throughout the year! Stay tuned!



Denis Caron
President & CEO



BELLEDUNE PORT AUTHORITY CONDENSED FINANCIAL STATEMENTS

DECEMBER 31, 2017



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 27, 2018



Alberta Buttimer, CPA, CA
Chairperson, Audit Committee



Denis D. Caron
President & CEO

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, 2017, 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, 2017. We expressed an unmodified audit opinion on those financial statements in our report dated March 27, 2018.

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, 2017 are a fair summary of those financial statements on the basis described above.



Chartered Professional Accountants

Bathurst, New Brunswick

March 27, 2018

CONDENSED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

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For the Year ended December 31

	2017	2016
Revenues		
Harbour services	2 135 680 \$	2 159 237 \$
Rentals	6 276 670	6 173 181
Shipping and other services	<u>2 545</u>	<u>2 619</u>
	<u>8 414 895</u>	<u>8 335 037</u>
Operating expenses		
Salaries and employee benefits	958 392	1 021 791
Maintenance and repairs	553 020	623 808
Professional fees and fees for consulting services	1 110 798	1 151 894
Depreciation	1 863 365	1 849 563
Gross revenue charge	172 623	170 375
Other operating expenses	<u>849 661</u>	<u>829 154</u>
	<u>5 507 859</u>	<u>5 646 585</u>
Earnings before interest expense and investment income	<u>2 907 036</u>	<u>2 688 452</u>
Interest expense and investment income		
Interest expense	(431 076)	(608 114)
Investment income	<u>216 240</u>	<u>183,712</u>
	<u>(214 836)</u>	<u>(424 402)</u>
Net income for the year before comprehensive income	2 692 200	2 264 050
Other comprehensive income		
Actuarial (loss) gain on defined benefit plan	<u>(7 000)</u>	<u>95 000</u>
Total net income and comprehensive income for the year	<u>2 685 200 \$</u>	<u>2 359 050 \$</u>

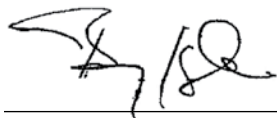
See accompanying notes to the condensed financial statements.

CONDENSED STATEMENT OF FINANCIAL POSITION

As at December 31	2017	2016
Current assets		
Cash and term deposits	12 983 377 \$	12 350 272 \$
Deposit (Note 3)	3 840 000	3 820 000
Accounts receivable	423 177	421 491
Prepaid expenses	168 660	96 447
Current portion of note receivable	10 446	34 609
	<u>17 425 660</u>	<u>16 722 819</u>
Non-current assets		
Note receivable	-	11 555
Accrued pension benefit asset	152 000	152 000
Guaranteed income certificate investments	2 500 000	-
Property and equipment (Note 4)	54 331 614	55 735 723
Other asset	58 297	86,024
	<u>74 467 571 \$</u>	<u>72 708 121 \$</u>
Total assets		
Current liabilities		
Accounts payable and accrued liabilities	969 115 \$	942 721 \$
Long-term debt due within one year (Note 6)	1 003 640	982 017
	<u>1 972 755</u>	<u>1 924 738</u>
Non-current liabilities		
Accrued employee benefits	136 219	212 244
Long-term debt (Note 6)	16 549 905	17 467 647
Deferred revenue (Note 3)	3 840 000	3 820 000
	<u>22 498 879</u>	<u>23 424 629</u>
Equity		
Contributed surplus	22 278 564	22 278 564
Other comprehensive income	128 000	135 000
Surplus	29 562 128	26 869 928
	<u>51 968 692</u>	<u>49 283 492</u>
Total equity		
Total liabilities & equity	<u>74 467 571 \$</u>	<u>72 708 121 \$</u>

Commitments (Note 7)

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 2019. As a result of the deposit, deferred revenue of the same amount has been recorded.

4. PROPERTY AND EQUIPMENT

			2017	2016
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Lands	16 880 846 \$	- \$	16 880 846 \$	16 878 733 \$
Dredging	10 258 466	4 797 138	5 461 328	5 717 790
Berthing Structures	35 197 604	16 965 970	18 231 634	19 054 102
Buildings	14 650 172	3 953 245	10 696 927	10 749 598
Utilities	6 716 898	4 884 034	1 832 864	2 033 776
Roads & Surfaces	3 790 944	3 227 668	563 276	642 969
Machinery & Equipment	893 634	698 366	195 268	250 888
Furniture & Fixtures	234 270	202 238	32 032	43 075
Projects under Construction	437 439	-	437 439	364 792
	<u>89 060 273 \$</u>	<u>34 728 659 \$</u>	<u>54 331 614 \$</u>	<u>55 735 723 \$</u>

5. ECONOMIC DEPENDENCE

Approximately 49% (2016 - 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.

6. LONG-TERM DEBT	2017	2016
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.	15 360 308 \$	16 342 285
<p>ACOA Provisionally Repayable Contribution, non-interest bearing, repayable based on average occupancy level. The amounts due to the Agency will be calculated as follows:</p> <p>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.</p>		
	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%.	<u>(586 763)</u>	<u>(672 621)</u>
	17 553 545	18 449 664
	1 003 640	982 017
Less: amount due within one year	<u>16 549 905 \$</u>	<u>17 467 647 \$</u>
<p>Principal repayments of long-term debt in the next five years will be as follows:</p>		
	2018	1 003 640 \$
	2019	1 345 739
	2020	1 147 526
	2021	1 170 689
	2022	1 195 013

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.

2017 Highlights



As of 2017 there are more than **24 different commodities** handled at the Port of Belledune on a regular basis. Not only has the Port diversified its client base but has become one of the most diverse bulk ports in eastern Canada.

The BPA made history along with its neighboring **Mi'gmaq communities** by signing a letter of intent that has laid the ground work for a protocol. The letter of intent as well as the protocol are significant milestones achieved in our relationship, our commitment to work together and our partnership for responsible economic development.

PORT OF/DE
BELLEDUNE



Mi'gmawe'l Tplu'taqnn

pabineau
FIRST NATION



UGPI'GANJIG
EEL RIVER BAR FIRST NATION



The Port of Belledune is **Anchored in Our Community** and has donated more than \$950,000 in the region since 2007.