

BELLEDUNE...*Unlimited!*

2005 ANNUAL REPORT



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BELLEDUNE PORT AUTHORITY **BOARD OF DIRECTORS**

HUMAN RESOURCES & COMPENSATION

Chair: Constance Gay Morrison
Nancy McKay
Joseph Flynn

FINANCE

Chair: Nancy McKay
Constance Gay Morrison
Ligouri Roy
Robert DeGrace

AUDIT

Chair Claude Doucet
Robert DeGrace
Harry Williamson

LAW & GOVERNANCE

Chair: Harry Williamson
Ligouri Roy
Claude Doucet
Joseph Flynn

BUSINESS DEVELOPMENT

Chair: Joseph Flynn
Claude Doucet
Ligouri Roy
Robert DeGrace



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

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The year, 2005 was a year in which the Board of Directors, together with our President & CEO and his staff, undertook a complete reassessment of the Port; focusing on our future direction, identification of goals and development of strategies to meet the many opportunities that await us.

Our new **Corporate Strategic Plan** encompasses a detailed and optimistic five (5) year business blueprint and a fifteen (15) year comprehensive financial plan. This extensive document will act as a guideline for both present and future Boards and staff to follow.

The Board made a concerted effort in 2005 to identify and focus on only the files that we felt to have the greatest potential. We worked with the provincial and federal governments in resolving some outstanding files that have improved our financial standing.

Early in the year, we took aggressive steps to cut our operating costs. This initiative has been successful and I wish to commend our President & CEO and staff for reducing costs and achieving a substantial gain in the net profit for the Port.

New marketing initiatives were undertaken resulting in a new look for our business publication "**CargoFlex News**" as well as several other new promotional pieces. The Board recently adopted the slogan "**Belledune... Unlimited!**" to reflect the aim of the Port's energetic attempts to seek out and accommodate business. We were the cover story for a recent edition of the *Canadian Sailings* magazine. In 2005, the Port of Belledune was recognized as one of Atlantic Canada's top 101 businesses.

We are pleased with the response that we received from our **Ambassadors Club** that was formed in 2005. The club's mission is to identify and attract business development opportunities for the Belledune Port Authority through daily business contact. Several of our Ambassadors have fulfilled their mandates by leading us to some very promising files.

The past year has had its challenges and although there were no major announcements made, focus was on advancing several important projects while at the same time solidifying many important partnerships.

The appointment of two key senior staff members to our management team has proved successful. Both our President & CEO, Rayburn Doucett and Director of Finance and Administration, Léo-Paul Sonier have contributed strongly to the success of our operations during 2005.

To our two retiring board members, Joseph Flynn and Constance Gay Morrison whose terms have expired, I wish to thank them for their dedication and time. Both have been "key" in achieving our goals over the past six years. My term also is expiring and it has been my pleasure to have served as Chairman of the BPA for the past two years and previously as a Board Member since we officially became a Canadian Port Authority in March of 2000.

Robert DeGrace
Chairman of the Board





A WORD FROM THE **PRESIDENT AND CEO**



The year 2005 was very successful in positioning the Port of Belledune to deal effectively with the realities and challenges of the coming months and years.

Total cargo tonnage was up 2.5% over the preceding year to 2.203 million tonnes. Our net income reached an all-time high of \$1,018,334 for 2005 compared to \$175,559 in 2004. Our financial picture reflects the efforts of the Board of Directors, management and staff to control costs.

Intensive efforts were conducted throughout the year to raise the port's profile within the shipping industry. The in-house development by the Port staff of marketing and promotional aids such as new pamphlets, an enhanced web site and descriptive slogans have helped us increase our visibility in the shipping world. Calls are being made, calls are being returned and interest in our facilities is growing.

We are currently working on securing the long term use of our liquid bulk storage tanks. Discussions are ongoing as we work toward obtaining a sound financial arrangement.

Container shipping and car movement continue to be of great interest to us. Spin-off effects of this traffic would be of immense benefit not only to the Port but also to the entire region.

We continue to pursue those files that we believe hold the greatest promise for us. We continue to invest in maintaining our facilities and providing a safe and secure environment in which to do business.

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".

The BPA strives to be a good employer. I thank our staff and as well our Board of Directors for their effort and dedication.

We thank our stakeholders, customers and clients for their confidence in us and for their valued business.

A sincere thank you is extended to Robert DeGrace, Joseph Flynn and Constance Gay Morrison, three board members whose terms expired in March. Their work throughout the years since their appointment in 2000 have played an integral role in the success of the Port.

Our plans to secure business in 2006 are typified 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.

The Port of Belledune is truly on the move!

Rayburn Doucett
President and CEO



MESSAGE FROM THE **DIRECTOR OF OPERATIONS**

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In 2005, 79 vessels berthed at the Port of Belledune. This figure was down slightly from 2004. However, given the trend to increased sizes of vessels with their resultant higher cargo carrying capacities, total transport volumes were actually up slightly in 2005 with over 2.2 million tonnes being handled through the Port of Belledune compared to 2.15 million in 2004. Dry bulk volumes were up slightly, compensating for a slight decline in liquid and break bulk volumes.

The BPA's Operations team continued to focus on security at the port in 2005, improving its overall ability to prevent and respond to potential security breaches and other emergency situations. Late 2004 saw Transport Canada announce a **Marine Security Contribution Program (MSCP)**, representing a 3-year, \$115 million commitment to assist ports and marine facilities with security enhancements. The Port of Belledune took advantage of this program by making application to round 2 of the funding program. On November 23rd, Transport Minister Jean LaPierre announced security infrastructure funding improvements totaling \$26.9 million allocated to 101 ports. Belledune's portion was \$277,112 for enhanced perimeter security and access control measures, surveillance equipment, training, command, control and communications equipment. Improvements will be carried out during the 2006 construction period and applications for further funding will be sought as the next rounds are announced by the department.

Operationally, except for routine maintenance and repair activities at the Port's 3 terminals, only N.B. Power needed to take special measures to re-stabilize a portion of its concrete conveyor gallery footings along the north side of the breakwater roadway just west of the Falconbridge wharf. The footings had experienced erosion deterioration over an extended period of time; consequently contractors were brought in to add additional backfill and concrete and to re-stabilize and re-align the footings to first class condition.

Year 2005 has been yet another year of accomplishment at the Port of Belledune. I would now like to take this opportunity to thank my colleagues, the President & CEO, the Board of Directors and all our partners for their hard work and commitment throughout the year.

Captain Wynford Goodman
Director of Operations





MESSAGE FROM THE **DIRECTOR, FINANCE AND ADMINISTRATION**



2005 closed on an exceptionally positive note, confirming the excellent state of our operations and growth potential. Not only was the Belledune Port Authority (BPA) able to see a growth in its revenue, but it was also able to attain a record net profit of \$1,018,000 for the financial year ending December 31st, 2005. This year, the net profit brings the accumulated surplus to over 2.6 million dollars, a testament to excellent management and the economic potential of our organization.

This year's impressive result is due to a combination of factors that included dedicated staff, skilled managers and clear directions from the Board of Directors. Other changes such as port promotional initiatives, cost management and corporate direction are clearly preparing the BPA for an optimistic future.

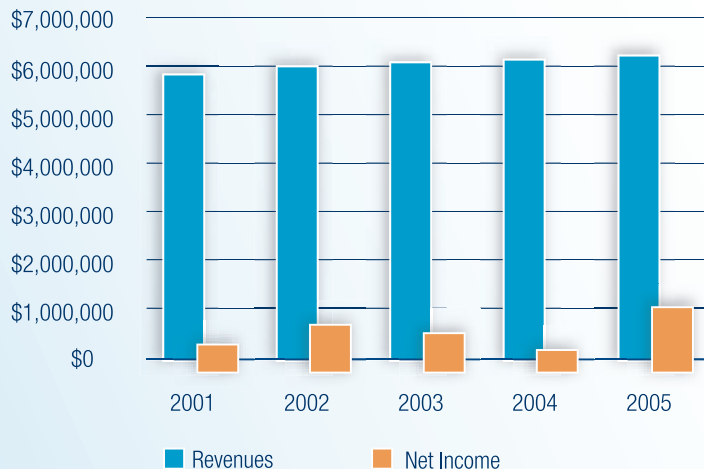
In October 2005, the BPA began a review of its corporate strategic plan. This not only encompassed a review of its corporate objectives and direction, but also the

development of a complete financial plan to support and monitor its operations for the next decade. This important monitoring tool will provide the BPA management and its Board of Directors with valuable information to assess and monitor the port's operations and activities.

I would like to take this opportunity to recognize the exceptional participation by the Village of Belledune, Enterprise Chaleur, the Regional Development Corporation, the BPA staff and the Board of Directors. This is a testimony to the belief that collaboration and cooperation can generate superior results.

The Belledune Port Authority's future is promising. It is ready to tackle the challenges that the transportation industry will face in the future. As is the case with any other Port Authority however, the BPA will need to continue to assess the current projects and plan for any major investments that may be required to maintain and improve its modern infrastructure.

In closing, I would also like to personally thank everyone for welcoming me into this organization. In particular, I wish to thank the BPA staff, senior management colleagues, the President & CEO, the dedicated members of the Board of Directors and our stakeholders for their support and understanding.



Léo-Paul Sonier, CMA
Director, Finance and Administration

BELLEDUNE PORT AUTHORITY **SUMMARIZED FINANCIAL STATEMENTS**



FOR THE YEAR ENDED DECEMBER 31, 2005

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.



Claude Doucet
Chairman, Audit Committee

AUDITORS' MESSAGE

To the Board of Directors of Belledune Port Authority

The accompanying summarized balance sheet and statements of earnings and surplus are derived from the complete financial statements of Belledune Port Authority as at December 31, 2005 and for the year then ended on which we expressed an opinion without reservation in our report dated February 9th, 2006. 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 Canadian generally accepted accounting principles. 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
Chartered Accountants

Bathurst, New Brunswick, February 9th, 2006

BELLEDUNE PORT AUTHORITY SUMMARIZED STATEMENT OF INCOME

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Year Ended December 31	2005	2004
INCOME		
Harbour Services	\$1,604,331	\$1,561,673
Rentals	4,482,476	4,434,918
Shipping and Other Services	47,073	65,260
	6,133,880	6,061,851
EXPENSES		
Salaries and Employee Benefits	340,314	339,604
Maintenance and Repairs	381,161	870,477
Professional Fees and Fees for Consulting Services	744,398	917,310
Depreciation	1,480,331	1,480,667
Gross Revenue Charge	127,510	125,843
Payments in Lieu of Municipal Taxes	50,101	58,093
Other Operating Expenses	636,453	594,993
	3,760,268	4,386,987
EARNINGS BEFORE INTEREST EXPENSE AND INVESTMENT INCOME	2,373,612	1,674,864
INTEREST EXPENSE AND INVESTMENT INCOME		
Interest Expense	(1,596,933)	(1,729,625)
Investment Income	241,655	230,320
	(1,355,278)	(1,499,305)
NET INCOME FOR THE YEAR	\$1,018,334	\$175,559

BELLEDUNE PORT AUTHORITY SUMMARIZED BALANCE SHEET

December 31	2005	2004
ASSETS		
CURRENT ASSETS		
Cash and Term Deposits	\$4,636,279	\$4,510,686
Accounts Receivable	401,983	307,533
	5,038,262	4,818,219
Investments	500,000	500,000
Restricted Cash	1,428,433	1,428,433
Deferred Financing Cost	374,375	426,013
Property and Equipment (Notes 3)	38,092,609	39,288,245
Total Assets	\$45,433,679	\$46,460,910
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	\$367,239	\$383,140
Long Term Debt Due Within One Year	2,154,846	1,996,624
	2,522,085	2,379,764
Accrued Employee Benefits	185,499	225,081
Long Term Debt (Note 4)	21,616,807	23,765,111
Total Liabilities	24,324,391	26,369,956
EQUITY		
Contributed Capital	18,428,564	18,428,564
Surplus	2,680,724	1,662,390
Total Equity	21,109,288	20,090,954
	\$45,433,679	\$46,460,910

On behalf of the Board



Chairman of the Board



Chief Executive Officer



Chairman of the Audit Committee

BELLEDUNE PORT AUTHORITY

NOTES TO THE SUMMARIZED FINANCIAL STATEMENTS

For the Year Ended December 31, 2005

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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

Deferred financing cost

Deferred financing cost consists of various professional fees incurred to obtain long term financing. These costs are amortized over 152 months on the straight-line basis.

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.

Depreciation 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
Machinery and Equipment	3, 5 and 10 years
Furniture and Fixture	3 and 5 years

Revenue recognition

Revenue is recognized as the related services are provided.

Pension costs

All permanent employees of the Authority are covered by a private pension plan. Contributions to the plan are required from both the employees and the Authority. The annual contributions for pensions are recognized in the accounts on a current basis.

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.

BELLEDUNE PORT AUTHORITY

NOTES TO THE SUMMARIZED FINANCIAL STATEMENTS

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For the Year Ended December 31, 2005

3. PROPERTY AND EQUIPMENT			2005	2004
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 7,386,786	\$---	\$7,386,786	\$7,176,786
Dredging	7,107,308	2,161,280	4,946,028	5,123,711
Berthing Structures	25,608,969	8,534,754	17,074,215	17,716,784
Buildings	4,810,734	837,236	3,973,498	4,094,454
Utilities	5,884,686	2,318,976	3,565,710	3,794,638
Roads and Surfaces	2,895,405	1,803,337	1,092,068	1,316,192
Machinery and Equipment	194,708	164,858	29,850	44,113
Furniture and Fixtures	155,395	130,941	24,454	21,567
	\$54,043,991	\$15,951,382	38,692,609	\$39,288,245

4. LONG TERM DEBT	2005	2004
Trust notes, bearing interest at 7.535%, repayable in equal quarterly installments of \$828,433 principal and interest, maturing in March 2013. The Authority has maintained the required debt covenants.	\$18,380,728	\$20,221,954
Loan from the Caisse populaire des Fondateurs, bearing interest at 7.5%, repayable in equal monthly installments of \$23,072 principal and interest, maturing in 2009.	1,534,382	1,689,781
Loan from the Province of New Brunswick, interest free, repayment based on 25% of the Authority's prior year's net earnings, payments commencing June 30, 2001 with any outstanding balance payable on June 30, 2013.	3,850,000	3,850,000
Equipment under capital lease.	6,543	---
	23,771,653	25,761,735
Less: current portion of long term debt	2,154,846	1,996,624
	\$21,616,807	\$23,765,111

Principal repayments in each of the next five years are due as follows:

2006	\$2,154,846
2007	\$2,318,162
2008	\$2,497,856
2009	\$2,691,479
2010	\$2,900,112



2005 HIGHLIGHTS

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DESTINATION: VOISEY'S BAY PROJECT



The construction and shipment of a large drum-shaped container from the Port of Belledune demonstrated both the capacity of the port and its ability to provide its clients with flexible services. It also illustrates the positive results that can be achieved through a cooperative effort. The metal tank was built by Maritime Welding in Bathurst, then hauled in four sections to the M.D. Young Terminal at the Port of Belledune where it was assembled. The final welds were completed by local service providers. It required more than three weeks for the final project to be completed. The 10 m (33 feet) by 8.5 m (28 feet) tank was then shipped from the same terminal on the *M.V. Astron* to its final destination in northern Labrador at the site of the Voisey's Bay Project, a nickel mine and mill. The degree of cooperation between local industries, end clients, Eastern Canada Stevedoring Inc., other partners, and the Belledune Port Authority demonstrates the ever-increasing capacity of the Port to put the needs of its clients in the forefront.

PORT MOVES INTO THE TOP 101

In 2005, the Port of Belledune received the prestigious "*Progress Magazine's Top 101*" award for businesses in the Maritimes, which demonstrates that the Port's leadership and the focus on developing its operations to their fullest potential are bringing about positive results. The Port of Belledune made its way onto the list this year for the first time; with its efforts concentrated on further developing its operations and services, it stands to continue its climb to stand among the best of the best.



The award, which was presented to Belledune Port Authority President and CEO Rayburn Doucett at a ceremony in Saint John, NB, was later presented by Mr. Doucett to the Board of Directors in recognition of their role in helping the Port reach the top 101. "Receiving this award demonstrates the success we're enjoying in attaining one of our goals, namely to become an economic anchor of northeastern New Brunswick," says Mr. Doucett.

PORT SUCCESSFUL IN MAKING FIRST PULPWOOD SHIPMENT

The forestry industry has come a long way since the days of driving logs down local rivers to waiting boats, trains and mills. Earlier this year, the Port of Belledune handled its first pulpwood shipment. Its stevedores loaded 12,500 cubic meters of northern New Brunswick logs onto a ship bound for mills outside the province and they did it in considerably less time than their client anticipated. Ideally situated for northern New Brunswick, the Port is able to reach strategic markets in the Maritimes, in Canada, the USA and further abroad, making it easier for local business and industries to move their goods, be that wood, minerals, or other products. By accessing such markets, the local economies stand to benefit by being able to more easily move local products, ranging from raw materials to value-added products, to buyers in virtually any market world-wide.

