

Annual Report

April 1, 2007 – March 31, 2008



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1. INTRODUCTION

The Souris Harbour Authority Inc., (SHAI) is a not-for-profit community based company incorporated under Part II of the P.E.I. Companies Act to own, operate and promote the development of the Port of Souris. This is the second annual report of the corporation.

2. BOARD GOVERNANCE, MANAGEMENT AND PROFESSIONAL SERVICES

The Board of Directors of the Souris Harbour Authority Inc. is:

<i>Member</i>	<i>Representing</i>
Denis Thibodeau, President	Town of Souris
Peter MacPhee, Vice President	Fishers
Eric Gallant, Secretary/Treasurer	Marina
Terry Campbell	Community at Large
Brian Ching	User
Joanne Chisholm	Community at Large
Jason Chapman	User
Dr. Colin Jack	Community Enhancement Corporation
Brian MacPhee	Fishers

The Board of Directors oversee policy and operations with three committees; Finance, Audit and Governance Chaired by Eric Gallant; Capital Planning Chaired by Brian MacPhee and Marketing and Business Development Chaired by Denis Thibodeau. Board Committees meet on a regular basis or when required for operational and planning matters.

The Board of Directors of SHAI meet on every 2nd Tuesday of each month. The board's agenda includes financial, management and committee reports and various company business matters. The Board of Directors has developed policies on operational matters, major capital improvement and maintenance projects and financial matters including board approval of all financial commitments, expenditures and the corporation's annual budget. This year, the board has also held a special session on Board Code of Conduct and all members have committed to confidentiality and good governance documents.

Port Manager, Art MacDonald manages the daily operational activities at the port, oversees capital works projects and provides valuable input in new business development processes. Accountant/Office Manager, Margo Robertson carries out all company bookkeeping and office manger duties. Business Development Consultant, Gerry Gallant leads the company's new business development planning program and advises the board on executive management matters of the corporation. This year, SHAI has engaged Steve Cheverie, retired building contractor to assist in managing SHAI's capital works and major maintenance contracts.

The company's auditor is Carl Chapman, Grant Thornton, Montague. Legal counsel is provided by Scott Mackenzie, Stirling, McKelvey, Charlottetown. Local banking services are provided by the Souris Credit Union while the SHAI investment accounts are managed by Scotia Cassels, Toronto.

3. COMPANY ACTIVITIES

3.1 Operations

The Souris Port was very active this fiscal year with eastern PEI highway construction generating 46,000 metric tonnes of aggregate off loaded. Overall, the transient fishery was consistent with last year with the fleet experiencing similar activity to the previous year notwithstanding a decrease in the First Nations crab fleet, an increase in the ground fishery and steady activity from the Isles de la Madelienes tuna fishery.

The Transit Shed has full utilization with AgraWest Foods storing finished product and Ocean Choice International storing packaging materials.

Major repairs throughout the year included:

- Bait Sheds Paving/Painting
- Fendering Repairs
- Slipway upgrades
- Sheet Steel pile repairs on the EastPac Wharf.

SHAI employed all local personnel and utilized island based contractors for its maintenance projects. As part of the annual Souris SeaFest events, SHAI hosts the annual Souris Port Day with local entertainment, seafood and beverages. In addition, SHAI contributed a total of \$7,000 in sponsorship funds to various community sports and volunteer organizations including a \$1,000 high school scholarship.

3.2 Breakwater Reparatons

Over the summer/fall of 2007, J & T van Zutphen Construction Inc. supplied and place 60,000 metric tonnes of new and existing amour stone that provided a refortified breakwater that will protect the harbour into the next century. An important part of the breakwater reparation project was to comply with numerous federal and provincial government environmental regulations. Fisheries and Oceans Canada (DFO) has a requirement to compensate for permanently lost habitat to offset the reduction in productive capacity of the watercourse lost as a consequence of the construction. SHAI's Marine Habitat Compensation Plan was approved by DFO. An innovative approach to the plan involves SHAI's commitment to develop two salt marshes in the Souris River.



This \$40,000 project contracted with the Souris River Watershed Management Committee developed approximately 5,550 m² of salt marsh habitat to increase water quality and reduce suspended solids in the estuary.

3.3 Business Development

The SHAI Marketing and Business Development Committee has identified a number of projects that are being researched and business planning is ongoing. These include:

Waterfront Master Plan

SHAI has completed a study of the waterfront lands and business development opportunities associated with those lands. The plan was endorsed by the Town of Souris, Eastern Kings Community Enhancement Corporation and has been presented to Premier, Cabinet and the Liberal Caucus.

SHAI Cold Storage

The Souris Harbour Authority Inc. (SHAI) has identified a business opportunity to provide public freezer and cold storage facilities to various users throughout Prince Edward Island. Market research gathered from interviews with seafood and other food processors and a review of various cold storage studies conducted in the recent past reveals a substantial need for freezing and cold storage in the area. Also lobster and crab fishers in Eastern Kings County are seeking more economical and quality bait by utilizing freezer facilities to blast freeze and store their own fresh caught bait.

SHAI proposes to build a 23,000 sq. ft. freezer and cold storage facility at the Souris Food Park with a capacity of approximately 2,500 pallets or in excess of 5 million pounds of cold storage. The capital investment will be \$3,000,000. In addition to SHAI's equity investment and a bank loan, financial support is being sought from ACOA and the Province of P.E.I.

Land Purchases

A strategic part of SHAI's long term sustainability plan is to purchase properties adjacent to the port for future development. Towards this end the company has purchased six parcels from four different owners and is in negotiation for four more. In addition, a proposal has been made to the Province of P.E.I. to divert the Confederation Trail in order to facilitate transfer of trail land that intersects SHAI and Irving land. After the Irving land deal is completed in late 2008 or early 2009, this land transfer and purchase gives SHAI ownership of a complete, attached and accessible full block consisting of 5+- acres on Breakwater Street.

Aquaculture Facility/Salt Water Well

SHAI owns high volume salt water well on property formerly owned by Usens' Fisheries. SHAI is inviting aquaculture development utilizing the well resource and is in discussion with a couple of aquaculture firms; one involved in raising salmon and another that focuses on life sciences projects.

Community Wind Farm

SHAI is investigating potentials for a community wind farm on SHAI lands to support the high cost of electricity at SHAI facilities as well as a number of large energy users in the area. A key factor to stimulate wind farm development will be a strategic change in the PEI Government's energy policy that allows for net billing rather than just net metering. Once this policy has been changed, SHAI will be pursuing opportunities in wind energy development.

Light House Divestiture

Agreement has been reached with Canada Coast Guard to divest the Souris Light House to SHAI. Once final documentation is completed, SHAI will be developing the facility and lands as an anchor waterfront attraction on SHAI lands that border on the water east of the breakwater.

Marina Relocation/CTMA Terminal Expansion

SHAI has prepared preliminary drawings and a project description for a proposed infill development located north of the CTMA terminal utilizing recycled Town of Souris Main Street repair fill materials. This development will provide CTMA much needed expanded parking for their truck and passenger traffic and allow SHAI to relocate the marina in order accommodate growing commercial traffic at the present marina site. SHAI is working with CTMA and Transport Canada on a funding formula.

Ice House

SHAI has signed a five year lease agreement with Ocean Choice International (OCI) for their use of the ice house. An integral part of the agreement requires OCI to sell ice at the same price to all users in the fishery.

Marina Divestiture from Town of Souris

During the year, SHAI and the Town of Souris have agreed to transfer all marina assets that were owned and operated by the Town. This transfer was undertaken because it allows SHAI to operate the Marina with better synergies within its management and governance regime. SHAI's insurance policy and operational structure were deemed to be better suited to provide the kind of management and marketing the marina needs. The Town has committed a \$3,000 per annum operating grant over the next five years to SHAI to compensate for SHAI's additional marina expenses.

4. FINANCIAL

Audited financial statements for the year ended March 31, 2008 of the corporation are presented under separate cover. Highlights include:

- ✓ Transport Canada's first year audit of the operating contribution was deemed successful and unqualified.
- ✓ Operating revenues in 2007-8 were \$176,467. Operating revenues the previous year were \$204,858. The reduction was mostly due to no windmill shipments this year and less transient crab fleet.
- ✓ Operating expenditures in 2007-8 were \$577,056. Operating expenses in 2006-7 were \$574,114.
- ✓ Other income in 2007-8 totalled \$1,537,655. This includes \$985,385 in interest income earned from the corporation's investments. The remaining other income was realized and unrealized gains on sale of investments.
- ✓ Excess revenue over expenditures in 2007-8 was \$1,698,746. In 2006-7 excess revenue over expenditures was \$1,547,225.
- ✓ The total amount spent to date out of the \$4 million federal contribution for breakwater reparations is \$3,983,667.

- ✓ Total long term investments as of March 31, 2008 was \$20,133,620. Budget projections estimate an average of \$22.3 million in total investments over the next five years and \$24.2 million projected to be on account at year end, 2013.

5. CONCLUSION

As Chairman of the Souris Harbour Authority Inc., I wish to recognize the contributions of our board members. Their leadership, many hours of meetings and commitment to the board's fiduciary responsibilities and good governance ensures the long term sustainability of the corporation. I also welcome Joanne Chisholm as our new community at large board member.

I also want to thank Art MacDonald, our Port Manager for his continued outstanding work managing our port. Art's vast knowledge of port operations, excellent rapport with port users and dedication to high work standards and practices ensures the safe and efficient operations of the Port. Art's strategic advice with our new business opportunity identification and planning also contributes to SHAI's long term success.

Margo Robertson's sound management of the company's accounting and administration was duly recognized in the Transport Canada successful, unqualified audit when the auditor's management letter made special note of her efficiency, professionalism and helpfulness during the audit. Margo's also made an extra effort in organizing SHAI's Port Days during the last three years. In particular this year, SHAI took the lead in organizing the Independent Marine Ports of Canada annual conference in P.E.I. Margo's organizational skills were most evident during that event.

Finally, I would like to extend thanks to Gerry Gallant who provides the board with sound board governance, business and financial management advice. Gerry's business planning and development activity is also generating new business projects that will guide SHAI to long term sustainability.

Respectively submitted,

Denis Thibodeau
Chairman
Souris Harbour Authority Inc.