

Annual Report

April 1, 2008 – March 31, 2009



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1. INTRODUCTION

The Souris Harbour Authority Inc., (SHAI) is a not-for-profit community based company incorporated in 2006 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 third 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.

Port Manager, Art MacDonald manages the daily operational activities at the port, oversees capital works projects and provides valuable input in new business development projects. Accountant/Office Manager, Margo Robertson carries out all company accounting and office management duties including being SHAI's direct liaison with its investment management advisors, Scotia Cassels. Business Development Consultant, Gerry Gallant leads the company's new business development planning and advises the board on executive management and governance of the corporation. SHAI also engages Steve Cheverie retired building contractor to assist in managing SHAI's capital works and major maintenance contracts. In addition, SHAI employs Eric Gallant on a seasonal basis as its Marina Manager and Lighthouse Supervisor, overseeing lighthouse planning and development activities. SHAI's new business venture, Eastern Cold Storage's General Manager is André Gallant, hired in January, 2009 and including André, ECS has three employees operating the facility.

The company's auditor is Carl Chapman CA. CVB, 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 Institutional Group, Toronto.

3. COMPANY ACTIVITIES

3.1 Operations

In general, berthage revenues were down slightly due to fishery activity and the absence of the First Nation Crab Fleet. Sailboat revenues are up, and we have moved forward in increasing this revenue base by facilitating more seasonal storage. Commercial activity with aggregate offload represented the best year since the authority took over the port with over 82,000 mt shipped through the port. This increase is partially due to the availability of consolidation/storage areas locally available, an additional service that SHAI now provides.

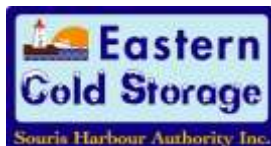
The repairs and maintenance program for Souris Harbour Authority Inc. for the 2008-9 fiscal year included, but are not limited to, the following:

- Reinstatement of the Usens Wharf including electrical/water connections and a new and expanded asphalt deck to facilitate Crab offload and other commercial activity,
- Renewed asphalt surfaces on the Eastpac and Boat Harbour Wharf,
- Major repairs to the Transit Shed including new roof coating, gutter removal, and cleaning of all surfaces. The shed remains operating at full occupancy and is in generally good condition for future activity;
- Refurbishing of the Ice House facility including new rakes and chains, exterior repairs as required followed by painting and a new roof, and interior upgrades to bring the facility up to fire code;
- Steel Sheet Pile repairs on the Eastpac Wharf;
- Expansion of storage areas.

SHAI employed all local personnel and utilized island based contractors for its general 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 \$10,000 in sponsorship funds to various community sports and volunteer organizations including a \$1,000 high school scholarship.

3.2 Business Development

SHAI is engaged in a number of new business development planning projects and in active business operations. These include:



Over the fall/winter of 2008-9, SHAI constructed a 23,000 sq. ft. freezer and storage facility at the Souris Food Park with a capacity of 5 million pounds of cold storage and two blast freezers capable of freezing 20,000 lb. each. The capital investment upon completion will be \$3,750,000. The Province of PEI invested a \$400,000 non-repayable contribution and ACOA provided a \$500,000 repayable contribution. A Bank of Nova Scotia loan and SHAI cash equity completed the financing program. The facility will be open for business in July, 2009.



Aquaculture Facility

SHAI has large volume salt water well on property purchased from the owners of the former Usen's Fisheries in 2007. SHAI has interest from an international aquaculture firm to lease a 10,000 sq. ft. facility to be built by SHAI. Funding is being sought from ACOA and if financing is obtained, construction will begin in 2009.

Windmill(s) and/or Co-Energy Development

SHAI is reviewing a windmill plan/proposal with ROI payback analysis to feed electricity to major electricity users, Eastern Cold Storage, Ocean Choice International and AgraWest Foods. Also, the company is researching the technical and financial feasibility of developing a biomass cogeneration plant for a district heating system and/or electricity supply in Souris at the Food Park. Supply of the bio feedstock would be non-commercial wood chips and/or rotation crops from the agricultural industry. The study will measure electrical and heat energy demand from a variety of eastern Souris institutional and industrial users including AgraWest Foods, Ocean Choice International, Eastern Cold Storage, the Eastern Kings Health Centre/Souris Hospital, the Eastern Kings Arena, and the Main Street Mall. Also, the new manor and K-12 school could be potential heat customers. All are or to be located in or close to the Souris Food Park in the eastern end of the town.



Marina Relocation/CTMA Terminal Expansion

SHAI has prepared preliminary design drawings, costing 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. The development

will also enable SHAI to increase the harbour footprint and waterfront land base. It will also allow SHAI to gain access to the north side of the harbour for future development. SHAI is working with CTMA and Transport Canada on a funding formula. The project is also a potential candidate for the Building Canada funding.



Souris Lighthouse

SHAI is currently taking ownership of the Souris Lighthouse and property from Department of Fisheries and Oceans/Canadian Coast Guard. The light is an important symbol of the Town of Souris, and the property it is located is adjacent to SHAI land. In summer 2009, SHAI is undertaking site and building improvements making the light and property a welcoming place for lighthouse visitation, interpretation and panoramic harbour viewing.

Potential Canadian Coast Guard (CCG) Relocation

The City of Charlottetown and the Province of PEI are proposing a new convention centre at the CCG location in Charlottetown, SHAI is making proposals to the federal Department of Fisheries and Oceans/Canadian Coast Guard for the potential relocation of the CCG from Charlottetown to Souris. SHAI's proposals are based on the port's strategic location and the company's ability to provide CCG with turn-key facilities for CCG operations.



Property Purchases

Throughout the year, as part of SHAI's long term waterfront development plans, the company purchased five more properties including the former Irving Oil tank farm property, two properties required for the diversion of the Confederation Trail, the Souris Light property and an industrial lot at the Souris Food Park for Eastern Cold Storage. These procurements now position SHAI with over 10 acres for development.




Confederation Trail Diversion

Town Main Street fill has been used at edges of Confederation Trail to begin site improvements at the property. In 2009, SHAI will complete negotiations with the Province of PEI to construct the new diverted trail and complete a property flip for the trail facilitating SHAI ownership of a complete, attached and accessible full block consisting of 4.5 acres on Breakwater Street.

Short Sea Shipping (SSS)

SHAI has submitted two separate comprehensive applications/proposals to TC's Gateway Program and Infrastructure Canada's Building Canada Fund for significant capital funding (\$7.5 million) to assess business opportunities and establish a SSC Terminal Facility at the Souris Port. SHAI will continue to research the business case determining shippers' interest, logistics and viability as funding proposals are reviewed.

4. FINANCIAL

Highlights of the audited financial statements of the corporation prepared by  Grant Thornton for the year ended March 31, 2009 include:

- ✓ Total revenues were \$1,718,861 in 2008-9. Operating revenues were \$261,549. Operating revenues the previous year were \$176,467. This represents an increase of 48%, mainly due to the installation of a Harbour Maintenance Fee for larger vessels using the harbour. Other income totalled \$1,457,312. This figure is the total of interest income earned from the corporation's investments plus draws downs from the capital fund and deductions for losses accrued in investment income.
- ✓ Operating expenditures in 2008-9 was \$929,300. Major expenses included \$207,918 in repairs and maintenance to the wharf facilities and an allocation of a 25 year depreciation expense of \$170,608 for the new breakwater.
- ✓ Excess revenue over expenditures in 2008-9 was \$789,561. In 2007-6 excess revenue over expenditures was \$1,698,746.
- ✓ The market value of SHAI's long term investments as of March 31, 2009 was \$19,859,515. Of this amount \$3,375,351 is non-restricted. Property and equipment values totalled \$6,183,633 for total assets of \$26,528,104. Total debt of the corporation as of March 31, 2009 is \$1,150,000.

5. OTHER MATTERS

During the year, the Chairman conducted comprehensive performance reviews with senior management personnel. Also, as business activities have been increasing and executive leadership continually in demand, the board of directors have engaged Chairman Denis Thibodeau to act as a part time Chief Executive Office on a contracted retainer basis.

Throughout the year, SHAI, its board members and staff have been actively involved in the community and its organizations. In particular, Denis Thibodeau, SHAI's Chairman is President Elect of the Independent Marine Ports Association of Canada and is also a recent appointee to the P.E.I. Rural Development Advisory Council.

6. CONCLUSION

As Chairman of the Souris Harbour Authority Inc., I wish to recognize the contributions of our board members. Their leadership, good decision making based on their broad base of experience and commitment to the board's fiduciary responsibilities and good governance ensures the long term sustainability of the corporation. I also want to thank our management team, Art MacDonald, Port Manager, Margo Robertson, Accountant/Office Administrator, Eastern Cold Storage Manager André Gallant and Gerry Gallant, Business Development Consultant for their valuable services achieving successful results.

Respectively submitted,



Denis Thibodeau
Chairman