

Annual Report

April 1, 2010 – March 31, 2011



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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 fifth annual report of the corporation.

2. BOARD GOVERNANCE, MANAGEMENT AND PROFESSIONAL SERVICES

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

<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 of SHAI meets monthly. 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. After five years of operations, the board is planning a strategic planning session in the near future designed to guide the corporation's future direction over the next five years.

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

Denis Thibodeau, the SHAI Chairman also acts as a the corporation's part-time Chief Executive Officer providing leadership and direction to the corporation's strategic direction and management. Port Manager, Art MacDonald manages the daily operational activities at the port and oversees capital works projects. Accountant/Office Manager, Margo Robertson carries out company accounting and office management duties. Business Development Consultant, Gerry Gallant leads the company's new business development planning and advises the board on executive, financial management and governance. In addition, SHAI employs Eric Gallant on a seasonal basis as its Marina Manager and Lighthouse Supervisor. SHAI's Eastern Cold Storage (ECS) General Manager is André Gallant. ECS has three full time employees operating the cold storage facility. SHAI also engages Steve Cheverie, former building contractor on occasion to act as Owner's Representative on various SHAI's capital works projects.

Scotia Asset Management, Toronto is SHAI's investment management advisors and the Bank of Nova Scotia is its lender. Local banking services are provided by the Souris Credit Union. The company's auditor is MacPherson, Roche, Smith and Associates, Charlottetown. Legal counsel is provided by Scott Mackenzie, Stirling, McKelvey, Charlottetown and Wylie Spicer Q. C., McInnes Cooper, Halifax.

3. COMPANY ACTIVITIES

3.1 Operations and Capital Maintenance

During 2010-2011 EastPoint Engineering Ltd. was contracted by the Authority to conduct a visual inspection of all of the marine structures within the port. With the completion of the visual inspection the second task of the assignment was the identification of short, medium, and long term maintenance and capital cost requirements to aid SHAI in establishing annual capital maintenance budgets. The 15 year plan for repairs and maintenance for all port marine structures totalled \$8 million.

3.2 Business Development

The corporation continues to play a vital role in the community's business and economic development by leveraging its financial and business development resources. Between 2006 and 2011, SHAI has been able to achieve the following:

- Prepared and implemented a waterfront business development plan;
- Purchased 14 properties for waterfront industrial and business development;
- Successfully constructed \$4 million breakwater as part of divestiture contribution commitment;
- Own ice house and operate it serving the fishery;
- Divested the marina from the Town of Souris and have been operating it for four years, now have gasoline supply available for marina guests;
- Financed and constructed 2½ acre topside boat storage to accommodate vessels from the region;
- Financed, constructed and now operating Eastern Cold Storage, a 5 million lb., 23,000 sq. ft. public cold storage;
- Completed Souris Lighthouse Divestiture in 2009 from DFO/Canadian Coast Guard and now operating it as tourism attraction;
- Actively seeking a successful fish farming company to establish an aquaculture facility in Souris;
- Completed wind turbine study to supply electricity to Eastern Cold Storage and now seeking financial support for the project;
- Studying feasibility of a biomass district heating system installation to supply thermal heat for major industrial users in the Souris Food Park and institutional users in the eastern Souris area;
- Discussing potential port location with a yacht manufacturer,
- Engaging a marine shipping consultant to examine shipping opportunities at Souris Port, and
- Evaluating other business opportunities as they arise.

SHAI focuses on business opportunities using good governance and planning, adequate financial resources and action. The corporation leverages the board's regional leadership, its financial and human resources, thus becomes equal partners with various federal and provincial government agencies and departments who have economic development mandates. After conducting due diligence, the corporation brings its new business strategies and resources to the funding table negotiating from a position of competence and capability.

The Government of Prince Edward Island through its business and economic development agency, Innovation PEI works hand in hand with SHAI in prospecting new business. The Atlantic Canada Opportunities Agency is also an excellent federal partner with SHAI.

4. FINANCIAL

Highlights of the unqualified audited financial statements of the corporation prepared by MacPherson, Roche, Smith and Associates for the year ended March 31, 2011 include:

- ✓ In 2010-11, total revenues were \$2,879,024, \$41,867 less than in 2009-10. Operating revenues were \$338,446, an increase of \$75,335 over the previous year. Other income totalled \$2,138,641, \$3,237 less than the previous year.
- ✓ Other income of \$2,138,641 is the sum of interest income, realized and unrealized gains from sales of investments earned from the corporation's investments totalling \$1,078,780 plus draws downs from the capital fund \$891,343, government grants \$8,076 and amortization of contributions \$160,442.
- ✓ Total expenses (including \$431,907 in depreciation) were \$1,902,125. Excess revenue over expenditures in 2010-11 was \$975,899.
- ✓ The market value of SHAI's long term investments as of March 31, 2011 was \$19,711,081. Of this amount \$4,818,294 is non-restricted meaning the Authority can use these funds outside of the Transport Canada Contribution Agreement which stipulates restricted funds can only be used for port operations and maintenance. Property and equipment values totalled \$7,874,434 for total assets of \$28,015,419. Total long term debt of the corporation as of March 31, 2010 is \$2,368,459.
- ✓ \$18.5 million of transfer contributions were received at divestiture in 2006 for general operations and maintenance until the year ending March 31, 2021 in accordance with the Transfer Contributions Agreement with Transport Canada. As at March 31, 2011, the Authority has complied with all conditions and requirements to recognize \$3,607,213 of the contributions. Accordingly, eligible expenditures incurred during each year have been reflected in the financial statements as transfer of contributions recognized. As noted above, the remaining funds are currently being held as restricted investments with any income generated from these investments considered to be non-restricted investments.

5. OTHER MATTERS

As of March 3, 2011 SHAI has been in existence for five years and has fully complied with the transfer agreement with Transport Canada. In 2011, SHAI will be carrying out a strategic plan with the view to establishing the company's future direction designed to ensure the company's long term sustainability. 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 Deputy Mayor, Town of Souris, President of the Independent Marine Ports Association of Canada, a member of the P.E.I. Rural Development Advisory Council and is a member of the Holland College Board of Governors. Board member Eric Gallant represents SHAI as a member of the board of the Island East Tourism Association and Chairs Island East's Lighthouse Development Committee.

6. CONCLUSION

As Chairman of the Souris Harbour Authority Inc., I wish to recognize the contributions of our board members. Their leadership, valuable 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, Eric Gallant, Marina and Lighthouse Manager and Gerry Gallant, Director Business Development for their valuable services achieving successful results.

Respectively submitted,



Denis Thibodeau
Chairman